

Bit Market Services

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Vedi allegato.



SNAM ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2016

San Donato Milanese, 12 May 2016 - The Snam Board of Directors, chaired by Carlo Malacarne, met yesterday to approve the consolidated results for the first quarter of 2016 (unaudited).

Financial highlights

- **Total revenue:** €852 million (-8.3%)
- **EBIT:** €429 million (-15.9%)
- **Net profit:** €266 million (-18.2%)
- **Net cash flow from operating activities:** +€572 million
- **Technical investments:** €231 million (+2.7%)

Operating highlights

- **Gas injected into the transportation network:** 16.49 billion cubic metres (+3.2%)
- **Number of active meters:** 6.527 million (+1.8%)
- **Available storage capacity:** 11.5 billion cubic metres (+0.9%), allocated in full in the 2015-2016 thermal year

Marco Alverà, Snam's CEO, made the following comments on the results:

"As expected, Snam's performance in the first quarter of 2016 reflects the reduction in the weighted average cost of capital for the new regulatory period. The significant cash flow generation from operating activities fully financed our investments in the development of our infrastructure, supporting the European network integration and the wider gas system".

**Financial highlights (a)**

(€ million)	First quarter		Change	% change
	2015	2016		
Total revenue	929	852	(77)	(8.3)
- of which from regulated activities	898	838	(60)	(6.7)
Operating costs	212	209	(3)	(1.4)
EBITDA	717	643	(74)	(10.3)
EBIT	510	429	(81)	(15.9)
Net profit (b)	325	266	(59)	(18.2)
EBIT per share (c)	(€) 0.146	0.123	(0.023)	(16.0)
Net profit per share (c)	(€) 0.093	0.076	(0.017)	(18.3)
Technical investments	225	231	6	2.7
Number of shares outstanding at the end of the period (millions)	3,499.5	3,499.5		
Average number of shares outstanding during the period (millions)	3,499.5	3,499.5		

(a) The changes indicated in the table, as well as those below in this press release, should be understood to be changes in the first quarter of 2016 compared with the first quarter of 2015. Percentage changes, unless otherwise specified, are calculated in relation to the data indicated in the related tables.

(b) Net profit is attributable to Snam.

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

Total revenue

Total revenue in the first quarter of 2016 amounted to €852 million, down by €77 million (-8.3%) compared with the first quarter of 2015. Net of revenue items offset in costs¹, total revenue in the first quarter of 2016 was €820 million, down by €69 million (7.8%) compared with the same period of the previous year. The reduction was due to the lower regulated revenue (-€52 million; -6.1%) recorded in all the main business segments, mainly as a result of the updated rate of return on net invested capital (WACC)², and the reduction in non-regulated revenue (-€17 million), mainly due to lower income from sales of natural gas.

EBIT

EBIT³ for the first quarter of 2016 totalled €429 million, down by €81 million (15.9%) compared with the first quarter of 2015. The reduction was primarily due to lower revenue (-€69 million; -7.8%) and increased amortisation and depreciation for the period (-€7 million; 3.4%), related mainly to the entry into service of new infrastructure.

¹ The main revenue items offset in costs relate to interconnection and to sales of natural gas carried out for the purposes of balancing the gas system.

² With Resolution 583/2015/R/com of 2 December 2015 "Rate of return on invested capital for infrastructure services in the electricity and gas sectors: criteria for determination and updating", the Electricity, Gas and Water Authority (AEEGSI) fixed the rate of return on net invested capital (WACC) for 2016. The duration of the WACC regulatory period for infrastructure regulations in the gas sector is set at six years (2016-2021), and a mechanism is provided for updating the rate at mid-period according to the prevailing situation.

³ EBIT was analysed by isolating only the elements that produced a change in this measure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs.



With reference to the operating segments, the reduction in EBIT is attributable to the transportation (-€45 million; -15.4%), distribution (-€26 million; -21.0%) and natural gas storage (-€11 million; -12.2%) business segments⁴.

Net profit

Net profit for the first quarter of 2016 totalled €266 million, down by €59 million (18.2%) compared with the first quarter of 2015. The reduction was mainly due to the reduction in EBIT (-€81 million; -15.9%) and lower income from equity investments valued using the equity method (-€10 million; -24.4%). These factors were partly offset by lower financial expenses related to net financial debt (€10 million; 10.4%), thanks to a decrease in the average cost of debt, and a reduction in income taxes (€28 million; 21.4%), mainly due to the lower pre-tax profit.

Technical investments

Technical investments in the first quarter of 2016 totalled €231 million (€225 million in the first quarter of 2015) relating mainly to the transportation (€136 million), distribution (€70 million) and storage (€23 million) business segments.

Net financial debt

Net financial debt at 31 March 2016⁵ was €13,543 million, compared with €13,779 million at 31 December 2015.

The positive net cash flow from operating activities (€572 million) was used to finance all requirements linked with technical investments for the period and to reduce net financial debt by €236 million, compared with 31 December 2015.

⁴ The analysis of EBIT by segment is provided on page 9 of this press release.

⁵ More information on the net financial debt can be found on page 18 of this press release.



Operating highlights

	First quarter		Change % change	
	2015	2016		
Natural gas transportation (a)				
Natural gas injected into the national gas transportation network (billions of cubic metres) (b)	15.98	16.49	0.51	3.2
Transportation network (kilometres in use)	32,338	32,515	177	0.5
Installed power in the compression stations (MW)	874	877	3.0	0.3
Liquefied Natural Gas (LNG) regasification (a)				
LNG regasification (billions of cubic metres)	0.003	0.001	(0.002)	(66.7)
Natural gas storage (a)				
Concessions	10	10		
- of which operational (c)	8	9	1	12.5
Total storage capacity (billions of cubic metres)	15.9	16.0	0.1	0.6
- of which available (d)	11.4	11.5	0.1	0.9
- of which strategic	4.5	4.5		
Natural gas moved through the storage system (billions of cubic metres)	7.16	6.53	(0.63)	(8.8)
- of which injected	0.01		(0.01)	(100.0)
- of which withdrawn	7.15	6.53	(0.62)	(8.7)
Natural gas distribution				
Active meters (millions)	6.413	6.527	0.114	1.8
Gas distribution concessions (number)	1,443	1,472	29	2.0
Distribution network (kilometres) (e)	55,270	56,731	1,461	2.6
Employees in service at end of period (number) (f)				
<i>of which business segments:</i>				
- Transportation	1,875	1,926	51	2.7
- Regasification	76	73	(3)	(3.9)
- Storage	290	309	19	6.6
- Distribution	3,106	3,324	218	7.0
- Corporate and other activities	720	719	(1)	(0.1)

(a) With regard to the first quarter of 2016, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.572 kWh/SMC) and 39.1 MJ/SCM (10.805 kWh/SMC) respectively for the businesses of natural gas transportation, regasification and storage.

(b) The figures for the first quarter of 2016 are up to date at 7 April 2016. The figures for the first quarter of 2015 are definitively up to date and consistent with those published by the Ministry of Economic Development.

(c) Working gas capacity for modulation services. The figure for the first quarter of 2016 includes the Bordolano concession, which has been operational since the end of 2015, with regard only to a portion of assets forming part of the overall plant, such as to guarantee the performance of storage activities.

(d) Working gas capacity for modulation, mining and balancing services, allocated in full as at 31 March 2016.

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

(f) Fully consolidated companies.

Natural gas transportation

In the first quarter of 2016, 16.49 billion metres of natural gas were injected into the national gas transportation network, representing an increase of 0.51 billion cubic metres, or 3.2%, compared with



the first quarter of 2015. The increase was mainly attributable to lower use of stocks, which resulted in a reduction in withdrawals of 0.43 billion cubic metres, with gas demand in Italy essentially in line with the same period of the previous year (23.67 billion cubic metres in the first quarter of 2016, down by 0.08 billion cubic metres or 0.3%). Despite the lower demand for electricity, higher consumption in the thermoelectric sector (+0.61 billion cubic metres; +12.1%), was attributable to reduced production of hydroelectric energy and reduced consumption of renewable sources, partly offset by lower consumption in the residential and tertiary sectors (-0.62 billion cubic metres; -4.4%) due to weather conditions.

Seasonally adjusted demand for gas was estimated at 24.77 billion cubic metres, up by 0.31 billion cubic metres (1.2%) compared with the corresponding figure for the first quarter of 2015 (24.46 billion cubic metres).

Liquefied natural gas (LNG) regasification

In the first quarter of 2016, 0.001 billion cubic metres of LNG were regasified in the context of the peak shaving service (0.003 billion cubic metres in the first quarter of 2015).

Natural gas storage

During the first quarter of 2016, 6.53 billion cubic metres of natural gas were moved through the storage system, with a reduction of 0.63 billion cubic metres (8.8%) compared with the first quarter of 2015 (7.16 billion cubic metres). The reduction was mainly attributable to lower withdrawals from storage (-0.62 billion cubic metres; -8.7%).

Total storage capacity at 31 March 2016, including strategic storage, was 16.0 billion cubic metres⁶, of which 11.5 billion cubic metres related to available storage capacity fully allocated for the thermal year 2015-2016 (up by 0.1 billion cubic metres compared with the thermal year 2014-2015) and 4.5 billion cubic metres related to strategic storage (unchanged compared with the thermal year 2014-2015).

Natural gas distribution

At 31 March 2016, Snam, through Italgas, managed the gas distribution service in 1,472 municipalities (the same as at 31 December 2015; 1,443 at 31 March 2015), of which 1,401 were operational. At 31 March 2016, the number of active meters located at end-user gas redelivery points (households, businesses, etc.) stood at 6.527 million (6.413 million at 31 March 2015).

At 31 March 2016, the gas distribution network covered 56,731 km, with an increase of 14 km compared with 31 December 2015 (56,717 km).

Regulation

Ministerial Decree of 25 February 2016 (Gazzetta Ufficiale no. 76 of 1 April 2016) - "Determination and allocation of modulation storage capacity for the contractual period 2016-2017"

With this decree, the Ministry of Economic Development defined the modulation storage space for thermal year 2016-2017, to be used primarily for entities supplying domestic customers, at 7,450.5 million cubic metres plus the mining storage share not requested and allocated by the storage companies.

⁶

At 1 April 2016, the total storage capacity offered for thermal year 2016-2017 was 16.3 billion cubic metres (up by 0.3 billion cubic metres compared with thermal year 2015-2016), of which 11.8 billion cubic metres related to available storage capacity and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2015-2016, as established by the Ministry of Economic Development in a notice dated 21 January 2016).



The Decree confirmed that this storage space, together with that reserved for uniform storage of annual and multi-year duration, would be allocated by competitive auctions, with the reserve price defined by the Authority on the basis of the criteria set forth in Resolution 77/2016/R/gas.

The Decree also modified the procedures for access to and delivery of the integrated storage and regasification service, previously introduced pursuant to Article 14 of Decree-Law 1/2012. In particular, this service, for which a storage capacity of 1 billion cubic metres is reserved, requires the regasification companies and the largest storage company to coordinate in order to allow redelivery of the regasified LNG to the user directly to storage, by the end of the month following the unloading of the tanker ships. Based on the provisions of the Decree, access to the service is obtained through a competitive auction whose price has been defined by the Authority on the basis of the criteria set forth in 77/2016/R/gas, taking account of the value of the product and the trend of the market.

Resolution 173/2016/R/gas - "Determination of provisional reference tariffs for gas distribution and metering services for 2016, and approval of bi-monthly equalisation amounts, relating to the natural gas distribution service, for 2016"

With this resolution, published on 8 April 2016, the Authority determined the provisional reference tariffs for the gas distribution and metering services for 2016, based on the preliminary balance sheet data for 2015, pursuant to Article 3, paragraph 2, letter a) of the Regulation of Tariffs for Gas Distribution and Metering Services - RTDG.

Events after the reporting period

Information on the termination of the employment contract of Carlo Malacarne and of his office as CEO

Following the consensual termination of the employment contract, with effect from the expiration of his office as Chief Executive Officer of the Company, euro 4,981,753.50 is attributed to Mr. Carlo Malacarne as gross indemnity for the termination of his offices and euro 860,000 as gross compensation for the undertaking to refrain from carrying out activities in competition with Snam for a year (with a reimbursement provision in case of breach of such commitment).

Additionally, Mr. Malacarne is also granted the rights under the Company's long-term incentive plans accrued prior to the termination of the employment contract as well as the severance pay as provided by law and certain ancillary commitments.

In the context of the overall settlement with novating effects, all the amounts will be paid within the end of May 2016, except for the gross amount of euro 430,000 related to the non-competition commitment, which will be paid at the end of November 2016.

The amounts give execution to the way out agreements entered into with Mr. Malacarne in March 2014 and are compliant with the remuneration policy indicated in the Remuneration Report published by the Company. Therefore the transaction, which can be identified as a Related Parties transaction of a minor importance, falls within the exceptions provided by the "Transactions involving the interests of the Directors and Statutory Auditors and transactions with related parties" Procedure adopted by Snam.



Outlook

Based on the information currently available, seasonally adjusted demand for natural gas in the Italian market at the end of 2016 is expected to be broadly stable compared with the 2015 levels.

Snam confirms its commitment to the development of natural gas infrastructures in Italy through a programme of technical investments for 2016, which is broadly in line with 2015 for the same scope of activities.

Snam also confirms for 2016 its focus on operating efficiency and the aim of continuing the process of optimising the Group's financial structure.

Legislative Decree no. 25 of 15 February 2016, which entered into force on 18 March 2016, implementing European Directive 2013/50/EU of 22 October 2013 (the "new Transparency Directive"), removed the obligation to publish the interim directors' report previously required by Article 154-*ter*, paragraph 5 of the Consolidated Finance Act (TUF). This press release on the consolidated results for the first quarter of 2016 is therefore prepared on a voluntary basis, in line with the quarterly information provided by Snam in the past. The Decree also instructed Consob to assess the possible reintroduction of the obligation to publish additional periodic financial information, with respect to the half-year report and the annual report, subject to the limits provided by Article 154-*ter*, paragraph 5-*bis*, of the TUF. To this end, Consob, with a document dated 14 April 2016, began the preliminary consultation with the market concerning the analysis of the impact on listed companies of any reintroduction of the above-mentioned obligation.

Information on operating results, financial position and cash flows was prepared in accordance with the recognition and measurement principles established by the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure detailed in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. Information on operating results and cash flows is provided with reference to the first quarter of 2016 and the first quarter of 2015. Information on financial position is provided with reference to 31 December 2015 and 31 March 2016. The form of the financial statements corresponds to that of the statements presented in the Interim Directors' Report of the Half-Year Report and the Directors' Report of the 2015 Annual Report. The recognition and measurement criteria adopted for the preparation of the 31 March 2016 consolidated results are the same as those used for the preparation of the 2015 Annual Report, which should be referred to for a description of those criteria, except for the international accounting standards that came into force on 1 January 2016, as described in note No. 6 "Recently issued accounting standards" of the 2015 Annual Report. For the purposes of this press release, there are no impacts at Group level arising from the application of the new provisions.

The scope of consolidation at 31 March 2016 was unchanged compared with 31 December 2015 following the merger by absorption of AES Torino S.p.A. into Italgas S.p.A., effective as of 1 January 2016. The merger did not have any effect on the consolidated financial statements because the merged company was wholly owned by Italgas S.p.A.

The change in the scope of consolidation of the Snam Group at 31 March 2016 compared with 31 March 2015 concerned the inclusion of Acam Gas S.p.A. following the acquisition of control of the company by Italgas S.p.A., effective as of 1 April 2015.



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

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 the documents, accounting ledgers and other records.

Disclaimer

This press release includes forward-looking statements, especially in the “Outlook” section, relating to: natural gas demand, investment plans, future operating performance and project execution. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. The actual results may therefore differ from those forecast as a result of several factors: foreseeable trends in natural gas demand, supply and price, actual operating performance, general macro-economic conditions, geopolitical factors such as international conflicts, the effect of new energy and environmental legislation, the successful development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.

A conference call will take place at 15:00 today, 12 May 2016, to present the consolidated results for the first quarter of 2016 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 the results for the first quarter of 2016

RECLASSIFIED INCOME STATEMENT

(€ million)	First quarter		Change	% change
	2015	2016		
Regulated revenue	898	838	(60)	(6.7)
Non-regulated revenue	31	14	(17)	(54.8)
Total revenue	929	852	(77)	(8.3)
Operating costs	(212)	(209)	3	(1.4)
EBITDA	717	643	(74)	(10.3)
Amortisation, depreciation and impairment losses	(207)	(214)	(7)	3.4
EBIT	510	429	(81)	(15.9)
Net financial expenses	(95)	(91)	4	(4.2)
Net income from equity investments	41	31	(10)	(24.4)
Pre-tax profit	456	369	(87)	(19.1)
Income taxes	(131)	(103)	28	(21.4)
Net profit (*)	325	266	(59)	(18.2)

(*) Net profit is attributable to Snam.

EBIT⁷ for the first quarter of 2016 totalled €429 million, down by €81 million (15.9%) compared with the first quarter of 2015. The reduction was due to lower revenue (-€69 million; -7.8%), mainly as a result of the updated rate of return on net invested capital (WACC) for regulated businesses in Italy, and of increased amortisation and depreciation for the period (-€7 million; 3.4%), relating mainly to the entry into service of new infrastructure. Operating costs (€177 million, net of components offset in revenue) showed an increase of €5 million (2.9%) compared with the same period of the previous year. The increase was mainly due to the change in provisions for risks and charges, following the net provisions for risks and charges compared to uses made in the first quarter of 2015, partly offset by lower withdrawals for sales of natural gas.

Below is a breakdown of EBIT by business segment:

(€ million)	First quarter		Change	% change
	2015	2016		
Business segments				
Transportation	292	247	(45)	(15.4)
Regasification	1	1		
Storage	90	79	(11)	(12.2)
Distribution	124	98	(26)	(21.0)
Corporate and other activities	3	4	1	33.3
	510	429	(81)	(15.9)

With reference to the main business segments, the reduction in EBIT was attributable mainly to the following segments:

⁷ EBIT was analysed by isolating only the elements that produced a change in this measure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs.



- Transportation (-€45 million; -15.4%): due mainly to lower revenue from transportation (-€31 million) as a result of the tariff updating mechanisms (-€52 million) and, in particular, the updating of the rate of return on invested capital (WACC), which fell from 6.3% in 2015 to 5.4% in 2016, partly offset by the contribution from investments made in 2014 (+€19 million), as well as increased amortisation and depreciation (-€4 million);
- Distribution (-€26 million; -21.0%): due to the reduction in transportation revenue (-€13 million), mainly as a result of the updating of the rate of return on invested capital (WACC) for 2016, which fell from 6.9% to 6.1% for distribution and from 7.2% to 6.6% for metering, as well as increased operating costs (-€15 million) following the net provisions for risks and charges compared to uses made in the first quarter of 2015;
- Storage (-€11 million; -12.2%): attributable mainly to lower storage revenue (-€7 million) and increased amortisation and depreciation for the period (-€2 million). The reduction in storage revenue reflects, in particular, the application of tariff components associated with the commodity in the first quarter of 2015 instead of mainly capacity components in the first quarter of 2016. This effect will be reabsorbed in the subsequent quarters of 2016.

Net profit for the first quarter of 2016 totalled €266 million, down by €59 million (18.2%) compared with the first quarter of 2015. The reduction was mainly due to the reduction in EBIT (-€81 million; -15.9%) and lower income from equity investments valued using the equity method (-€10 million; -24.4%). These factors were partly offset by the lower financial expenses related to net financial debt (€10 million; 10.4%), thanks to the reduction in the average cost of debt and the reduction in income taxes (€28 million; 21.4%), due to the lower pre-tax profit.

The tax rate for the first quarter of 2016 was 27.9% (28.7% in the first quarter of 2015).

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



Total revenue

(€ million)	First quarter		Change	% change
	2015	2016		
Business segments				
Transportation	551	495	(56)	(10.2)
Regasification	6	5	(1)	(16.7)
Storage	142	136	(6)	(4.2)
Distribution	267	256	(11)	(4.1)
Corporate and other activities	54	47	(7)	(13.0)
<i>Consolidation eliminations</i>	<i>(91)</i>	<i>(87)</i>	<i>4</i>	<i>(4.4)</i>
	929	852	(77)	(8.3)

Regulated and non-regulated revenue

(€ million)	First quarter		Change	% change
	2015	2016		
Regulated revenue	898	838	(60)	(6.7)
Business segments				
Transportation	485	455	(30)	(6.2)
Regasification	5	5		
Storage	108	99	(9)	(8.3)
Distribution	260	247	(13)	(5.0)
Revenue items offset in costs (*)	40	32	(8)	(20.0)
Non-regulated revenue	31	14	(17)	(54.8)
	929	852	(77)	(8.3)

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

Operating costs

(€ million)	First quarter		Change	% change
	2015	2016		
Business segments				
Transportation	135	120	(15)	(11.1)
Regasification	4	3	(1)	(25.0)
Storage	34	37	3	8.8
Distribution	80	95	15	18.8
Corporate and other activities	50	41	(9)	(18.0)
<i>Consolidation eliminations</i>	<i>(91)</i>	<i>(87)</i>	<i>4</i>	<i>(4.4)</i>
	212	209	(3)	(1.4)



Operating costs - Regulated and non-regulated activities

(€ million)	First quarter		Change	% change
	2015	2016		
Costs of regulated activities	189	205	16	8.5
Controllable fixed costs	131	128	(3)	(2.3)
Variable costs	4	10	6	
Other costs	14	35	21	
Cost items offset in revenue (*)	40	32	(8)	(20.0)
Costs of non-regulated activities	23	4	(19)	(82.6)
	212	209	(3)	(1.4)

(*) The main cost items offset in revenue relate to interconnection and to withdrawals of natural gas in relation to sales carried out for the purposes of balancing the gas system.

Amortisation, depreciation and impairment losses

(€ million)	First quarter		Change	% change
	2015	2016		
Depreciation and amortisation	207	214	7	3.4
Business segments				
Transportation	124	128	4	3.2
Regasification	1	1		
Storage	18	20	2	11.1
Distribution	63	63		
Corporate and other activities	1	2	1	100.0
	207	214	7	3.4

EBIT

(€ million)	First quarter		Change	% change
	2015	2016		
Business segments				
Transportation	292	247	(45)	(15.4)
Regasification	1	1		
Storage	90	79	(11)	(12.2)
Distribution	124	98	(26)	(21.0)
Corporate and other activities	3	4	1	33.3
	510	429	(81)	(15.9)



Net financial expenses

(€ million)	First quarter		Change	% change
	2015	2016		
Financial expense (income) related to net financial debt	96	86	(10)	(10.4)
- Interest and other expense on short- and long-term financial debt	98	86	(12)	(12.2)
- Interest on financial receivables not held for operations	(2)		2	(100.0)
Other net financial expense (income)	5	8	3	60.0
- Accretion discount	3	4	1	33.3
- Other net financial expense (income)	2	4	2	100.0
Losses (gains) on hedging derivatives - ineffective portion	1	1		
Financial expense capitalised	(7)	(4)	3	(42.9)
	95	91	(4)	(4.2)

Net income from equity investments

(€ million)	First quarter		Change	% change
	2015	2016		
Equity method valuation effect	41	31	(10)	(24.4)
	41	31	(10)	(24.4)

Income taxes

(€ million)	First quarter		Change	% change
	2015	2016		
Current taxes	145	121	(24)	(16.6)
(Prepaid) deferred taxes				
Deferred taxes	(14)	(15)	(1)	7.1
Prepaid taxes		(3)	(3)	
	(14)	(18)	(4)	28.6
Tax rate (%)	28.7	27.9	(0.8)	(2.8)
	131	103	(28)	(21.4)



Reclassified statement of financial position

The reclassified statement of financial position set out below combines the assets and liabilities of the condensed statement based on how the business operates, conventionally 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 consolidated statement of financial position format is used by management to calculate the key leverage and profitability ratios.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million)	31.12.2015	31.03.2016	Change
Fixed capital	22,121	22,386	265
Property, plant and equipment	15,478	15,595	117
Compulsory inventories	363	363	
Intangible assets	5,275	5,272	(3)
Equity investments	1,372	1,392	20
Financial receivables held for operating activities	78	79	1
Net payables for investments	(445)	(315)	130
Net working capital	(607)	(828)	(221)
Provisions for employee benefits	(166)	(166)	
Assets held for sale and directly related liabilities	17	17	
NET INVESTED CAPITAL	21,365	21,409	44
Shareholders' equity (including minority interests)			
- attributable to Snam	7,585	7,865	280
- attributable to minority interests	1	1	
	7,586	7,866	280
Net financial debt	13,779	13,543	(236)
COVERAGE	21,365	21,409	44

Fixed capital (€22,386 million) was up by €265 million compared with 31 December 2015, mainly due to the reduction in net payables for investments (+€130 million) and the increase in property, plant and equipment (+€117 million).



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

(€ million)	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2015	15,478	5,275	20,753
Technical investments	154	77	231
Amortisation, depreciation and impairment losses	(144)	(70)	(214)
Transfers, eliminations and divestments	(3)	(2)	(5)
Other changes	110	(8)	102
Balance at 31 March 2016	15,595	5,272	20,867

Other changes (+€102 million) relate essentially to: (i) the effects of adjusting the present value of disbursements for the dismantling and restoration of sites (+€120 million), mainly due to a reduction in the expected discounting rates; (ii) grants for the period (-€11 million); and (iii) the change in inventories of pipes and related accessory materials used to construct the plants (-€5 million).

Technical investments

(€ million)	First quarter	
	2015	2016
Business segments		
Transportation	137	136
Regasification		1
Storage	29	23
Distribution	56	70
Corporate and other activities	3	1
Technical investments	225	231

Technical investments totalled €231 million (€225 million in the first quarter of 2015) and related mainly to the following business segments:

- Transportation (€136 million; €137 million in the first quarter of 2015): relating to works for the development of new transport capacity instrumental to import and export capacity (€55 million), investments in the development of new transportation capacity on the Regional Network (€20 million), replacement investments and other investments (€61 million);
- Distribution (€70 million; €56 million in the first quarter of 2015): relating to distribution investments (€40 million, of which €6 million relating to the replacement of lead pipes), metering investments (€22 million) and other investments (€8 million);
- Storage (€23 million; €29 million in the first quarter of 2015): relating to investments in the development of new fields and the strengthening of capacity (€13 million), maintenance investments and other investments (€10 million).

Equity investments

Equity investments (€1,392 million) includes the equity method valuation and refers, in particular, to Trans Austria Gasleitung GmbH - TAG (€514 million), TIGF Holding S.A.S. (€450 million), Toscana Energia S.p.A. (€172 million), Trans Adriatic Pipeline AG - TAP (€129 million) and Gasbridge 1 B.V. and Gasbridge 2 B.V. (€125 million in total).

**Net working capital**

(€ million)	31.12.2015	31.03.2016	Change
Trade receivables	1,677	1,647	(30)
Inventories	152	170	18
Tax receivables	96	72	(24)
Derivative assets	7	22	15
Other assets	167	186	19
Provisions for risks and charges	(776)	(908)	(132)
Trade payables	(694)	(553)	141
Deferred tax liabilities	(388)	(370)	18
Tax liabilities	(51)	(189)	(138)
Accruals and deferrals from regulated activities	(56)	(104)	(48)
Other liabilities	(741)	(801)	(60)
	(607)	(828)	(221)

Net working capital (-€828 million) reduced by €221 million compared with 31 December 2015, due mainly to: (i) higher tax liabilities (-€138 million) relating mainly to the recognition of taxes for the period and higher payables for group VAT; (ii) higher provisions for risks and charges (-€132 million), relating mainly to adjustment of the provision for the dismantling and restoration of sites in the storage segment (-€73 million) and the transportation segment (-€47 million) due to a change in the expected discounting rates; (iii) higher other liabilities (-€60 million), relating mainly to the distribution segment (-€35 million), due to increased payables to Energy and Environmental Service Fund - CSEA in relation to tariff components additional to transportation, and to the transportation segment (-€26 million) mainly due to higher quantities of fuel gas allocated by the transportation users compared with the quantities actually used.

These factors were partially offset by the reduction in trade payables (+€141 million), mainly attributable to lower payables for the transportation segment in relation to the balancing service (+€184 million), partially offset by higher payables for the distribution segment (-€59 million), essentially due to equalisation with CSEA as a result of the seasonal trend in transported volumes.



Statement of comprehensive income

(€ million)	First quarter	
	2015	2016
Net profit	325	266
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)	(1)	
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"	9	(8)
Total other components of comprehensive income, net of tax effect	8	(8)
Total comprehensive income	333	258
attributable to:		
- Snam	333	258
- Minority interests		
	333	258

Shareholders' equity

(€ million)	
Shareholders' equity at 31 December 2015	7,586
<i>Increases owing to:</i>	
- Comprehensive income for the first quarter of 2016	258
- Other changes (*)	22
	280
Shareholders' equity including minority interests at 31 March 2016	7,866
attributable to:	
- Snam	7,865
- Minority interests	1
	7,866

(*) Other changes (+€22 million) relate essentially to the correction of the price adjustment in favour of Eni, recognised in 2010 in relation to contractual agreements with Eni at the time of the acquisition of the stake in Stogit. The adjustment follows the definitive approval by the Electricity, Gas and Water Authority (AEEGSI) of the storage tariffs for 2015, the reference tariff year for the purposes of adjusting the contractual price.

At 31 March 2016, Snam had a total of 1,127,250 treasury shares (unchanged from 31 December 2015), equivalent to 0.03% of its share capital. Their market value at 31 March 2016 was around €6 million⁸.

⁸ Calculated by multiplying the number of treasury shares by the period-end official price of €5.49 per share.



Net financial debt

(€ million)	31.12.2015	31.03.2016	Change
Financial and bond debt	13,796	13,566	(230)
Short-term financial debt (*)	2,729	2,486	(243)
Long-term financial debt	11,067	11,080	13
Financial receivables and cash and cash equivalents	(17)	(23)	(6)
Cash and cash equivalents	(17)	(23)	(6)
	13,779	13,543	(236)

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

Net financial debt at 31 March 2016 was €13,543 million, compared with €13,779 million at 31 December 2015.

The positive net cash flow from operating activities (€572 million) was used to cover all financial requirements linked with technical investments (€321 million) and to reduce net financial debt by €236 million compared with the end of 2015.

Financial and bond debts at 31 March 2016, amounting to €13,566 million (€13,796 million at 31 December 2015), comprised the following:

(€ million)	Total at 31.12.2015	Total at 31.03.2016	Change
Bonds	9,811	9,587	(224)
Bank loans	3,950	3,940	(10)
Other loans	35	39	4
	13,796	13,566	(230)

Financial and bond debts are denominated in euros⁹ and refer mainly to bond loans (€9,587 million, or 70.7%) and bank loans (€3,940 million, or 29.0%, including €1,628 million provided by the European Investment Bank - EIB).

The €230 million reduction in financial and bond debt compared with 31 December 2015 was mainly due to: (i) lower bond loans (-€224 million), essentially due to the repayment of a bond, maturing in January 2016, with a nominal value of €150 million, and the payment of interest charges; (ii) lower payables to banks (€10 million) due to reduced net uses of bank credit lines.

Long-term financial debt (€11,080 million) represented around 82% of gross financial debt (around 80% at 31 December 2015). Fixed-rate financial debts amounted to around 65% of gross financial debt.

Cash and cash equivalents (€23 million) mainly refer to the bank deposits of Gasrule Ltd for the Group's insurance activities (€20 million).

As at 31 March 2016, Snam had unused committed long-term credit lines worth €3.9 billion.

⁹ Except for a fixed-rate bond loan for ¥10 billion, fully converted into euros through a cross-currency swap (CCS) financial derivative.



Covenants

As at 31 March 2016, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out.

At 31 March 2016, the bank loans subject to these restrictive clauses amounted to approximately €2.6 billion.

The bonds issued by Snam as at 31 March 2016 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to meet these covenants, and the occurrence of other events, for example cross-default events, some of which are subject to specific materiality thresholds, may result in Snam's failure to comply and could trigger the early repayment of the relative loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is downgraded to BBB- (Standard & Poor's/Fitch Ratings Limited) or Baa3 (Moody's) for at least two of the three ratings agencies.

As at 31 March 2016, there were no identified events resulting in failure to comply with the aforementioned commitments and covenants.

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

(€ million)	First quarter	
	2015	2016
Net profit	325	266
<i>adjusted by:</i>		
- amortisation, depreciation and other non-monetary components	164	183
- net capital losses (capital gains) on asset sales and eliminations	4	5
- interest and income taxes	218	182
Change in working capital due to operating activities	22	11
Dividends, interest and income taxes collected (paid)	(80)	(75)
Net cash flow from operating activities	653	572
Technical investments	(207)	(212)
Change in scope of consolidation and business units		21
Divestments	84	
Other changes relating to investment activities	(77)	(130)
Free cash flow	453	251
Change in financial receivables not held for operating activities	45	
Change in short- and long-term financial debt	(498)	(245)
Net cash flow for the period	0	6

CHANGE IN NET FINANCIAL DEBT

(€ million)	First quarter	
	2015	2016
Free cash flow	453	251
Adjustment to fair value of financial debt	(9)	(13)
Exchange rate differences on financial debt	(9)	(2)
Change in net financial debt	435	236



IFRS financial statements

Statement of financial position

(€ million)	31.12.2015	31.03.2016
ASSETS		
Current assets		
Cash and cash equivalents	17	23
Trade and other receivables	1,824	1,815
Inventories	152	170
Current income tax assets	54	31
Other current tax assets	8	7
Other current assets	98	79
	2,153	2,125
Non-current assets		
Property, plant and equipment	15,478	15,595
Compulsory inventories	363	363
Intangible assets	5,275	5,272
Investments valued using the equity method	1,372	1,392
Other receivables	78	79
Other non-current assets	137	149
	22,703	22,850
Non-current assets held for sale	24	24
TOTAL ASSETS	24,880	24,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term financial liabilities	1,351	1,350
Short-term portion of long-term financial liabilities	1,378	1,136
Trade and other payables	1,746	1,503
Current income tax liabilities	1	99
Other current tax liabilities	50	90
Other current liabilities	71	62
	4,597	4,240
Non-current liabilities		
Long-term financial liabilities	11,067	11,080
Provisions for risks and charges	776	908
Provisions for employee benefits	166	166
Deferred tax liabilities	388	370
Other non-current liabilities	293	362
	12,690	12,886
Liabilities directly associated with assets held for sale	7	7
TOTAL LIABILITIES	17,294	17,133
SHAREHOLDERS' EQUITY		
<i>Snam shareholders' equity</i>		
Share capital	3,697	3,697
Reserves	2,655	3,907
Net profit	1,238	266
Treasury shares	(5)	(5)
Total Snam shareholders' equity	7,585	7,865
Minority interests	1	1
TOTAL SHAREHOLDERS' EQUITY	7,586	7,866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,880	24,999



Income statement

(€ million)	First quarter	
	2015	2016
REVENUE		
Core business revenue	925	891
Other revenue and income	50	23
Total income	975	914
OPERATING COSTS		
Purchases, services and other costs	(171)	(181)
Personnel cost	(87)	(90)
	(258)	(271)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	(207)	(214)
EBIT	510	429
FINANCIAL INCOME (EXPENSES)		
Financial income	4	1
Financial expenses	(98)	(91)
Derivatives	(1)	(1)
	(95)	(91)
INCOME FROM EQUITY INVESTMENTS		
Equity method valuation effect	41	31
	41	31
PRE-TAX PROFIT	456	369
Income taxes	(131)	(103)
Net profit	325	266
attributable to:		
- Snam	325	266
- Minority interests		
Profit per share (€ per share)		
- basic	0.10	0.08
- diluted	0.10	0.08

Statement of comprehensive income

(€ million)	First quarter	
	2015	2016
Net profit	325	266
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)	(1)	
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"	9	(8)
Total other components of comprehensive income, net of tax effect	8	(8)
Total comprehensive income	333	258
attributable to:		
- Snam	333	258
- Minority interests		
	333	258



Cash flow statement

(€ million)	First quarter	
	2015	2016
Net profit	325	266
Adjustments for reconciling profit for the period with cash flow from operating activities:		
Total depreciation and amortisation	207	214
Equity method valuation effect	(41)	(31)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	4	5
Interest income	(4)	(1)
Interest expense	91	80
Income taxes	131	103
Changes in working capital:		
- Inventories	28	13
- Trade receivables	(122)	30
- Trade payables	(29)	(141)
- Provisions for risks and charges	(13)	11
- Other assets and liabilities	158	98
<i>Working capital cash flows</i>	22	11
Change in provisions for employee benefits	(2)	
Dividends collected	5	5
Interest collected	2	
Interest paid	(87)	(80)
Net cash flow from operating activities	653	572
Investments:		
- Property, plant and equipment	(149)	(142)
- Intangible assets	(58)	(70)
- Change in payables and receivables relating to investments	(77)	(130)
<i>Cash flow from investments</i>	<i>(284)</i>	<i>(342)</i>
Divestments:		
- Change in scope of consolidation and business units		21
- Equity investments	84	
<i>Cash flow from divestments</i>	<i>84</i>	<i>21</i>
Net cash flow from investment activities	(200)	(321)
Assumption of long-term financial debt	522	64
Repayment of long-term financial debt	(469)	(302)
Increase (decrease) in short-term financial debt	(551)	(7)
Financial receivables not held for operations	45	
	(453)	(245)
Net cash flow from financing activities	(453)	(245)
Net cash flow for the period		6
Cash and cash equivalents at start of period	74	17
Cash and cash equivalents at end of period	74	23

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