



INFORMATION DOCUMENT

prepared pursuant to Art. 57, paragraph 1, letter d) of the regulation adopted by CONSOB through resolution no. 11971 of 14 May 1999, as later amended

CONCERNING THE LISTING OF ORDINARY SHARES OF ITALGAS S.P.A.

RESULTING FROM THE

PARTIAL AND PROPORTIONAL DEMERGER OF

SNAM S.P.A.

TO

ITALGAS S.P.A.

Sponsor



4 November 2016

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CONSOLIDATED PRO-FORMA SUMMARY INFORMATION FOR THE DEMERGED COMPANY AND THE BENEFICIARY COMPANY AND DATA PER SHARE AT 31 DECEMBER 2015 AND AT 30 JUNE 2016

The table below provides a summary of the consolidated income statement and balance sheet historical data of the Snam Group and pro-forma of the Demerged Company and the Beneficiary Company, as well as the share indicators at 31 December 2015 and at 30 June 2016. Since the pro-forma information is based on assumptions, it must be noted that, if the Transaction had occurred on the dates used as a reference for the preparation of the pro-forma data instead of the actual dates, the historical data would not necessarily be the same as the pro-forma data.

Moreover, the pro-forma data is not a projected figure and is not intended, in any way, to represent a forecast of the future results of the Post-Demerger Snam Group and of the ITG Holding Group inasmuch as it has been prepared to represent only the directly attributable and factually supportable effects of the Transaction.

The summary information given below has been extracted from the pro-forma data reported in Chapters 4 and 7 of this Information Document and should be read jointly with the description of the hypotheses and criteria used for the preparation of the pro-forma data and the other information contained herein.

Data at 31 December 2015

(Euro million)	Consolidated financial statements Snam Group (historic data)	Pro-forma data of Post-Demerger Snam Group	Pro-forma data of the Beneficiary Company
Revenue (*)	3,970	2,576	1,416
<i>including revenues from construction and upgrading of the distribution infrastructure, entered according to IFRIC 12 – Service Concession Arrangements</i>	<i>321</i>		<i>321</i>
EBITDA	2,799	2,052	735
EBIT	1,950	1,476	462
Pre-tax profit	1,705	1,351	352
Net profit	1,238	971	269
Net profit attributable to shareholders of the parent company	1,238	971	269
Total assets	24,880	21,251	5,553
Shareholders' equity	7,586	6,588	1,132
Shareholders' equity attributable to shareholders of the parent company	7,585	6,588	1,131
Net financial debt	(13,779)	(10,317)	(3,482)
Indicators per share (Euro)			
Net profit per share (**)	0.354	0.277	0.332
Shareholders' equity per share (**)	2.17	1.88	1.40
Other indicators			
Net debt/RAB (***)	52%	49%	59%

(*) Revenues include revenue from construction and upgrading of the distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€321 million).

(**) Calculated based on the average number of the shares issued and outstanding.

(***) RAB at 31 December 2015. The RAB values are only available on an annual basis.

The reconciliation of EBITDA and EBIT figures starting with financial statement items is provided below:

Data at 31 December 2015

(Euro million)	Financial statements Snam Group (historic data)	Pro-forma data of Demerger Snam Group	Pro-forma data of the Beneficiary Company
Net profit	1.238	971	269
Income taxes	467	380	83
Pre-tax profit	1.705	1.351	352
Net income from equity investments	(135)	(142)	(29)
Net financial expenses	380	267	139
EBIT	1.950	1.476	462
Amortisation, depreciation and impairment	849	576	273
Gross operating margin (EBITDA)	2.799	2.052	735

Data at 30 June 2016			
(Euro million)	Financial statements Snam Group (historic data)	Pro-forma data of Post-Demerger Snam Group	Pro-forma data of the Beneficiary Company
Revenue (*)	1,861	1,220	652
<i>including revenues from construction and upgrading of the distribution infrastructure, entered according to IFRIC 12 – Service Concession Arrangements</i>	<i>137</i>		<i>137</i>
EBITDA	1,314	993	313
EBIT	867	688	171
Pre-tax profit	755	701	37
Net profit	526	477	26
Net profit attributable to shareholders of the parent company	526	477	26
Total assets	24,753	20,793	5,442
Shareholders' equity	7,250	6,160	1,240
Shareholders' equity attributable to shareholders of the parent company	7,249	6,160	1,239
Net financial debt	(14,177)	(10,812)	(3,383)

Indicators per share (Euro)

Net profit per share (**)	0.150	0.136	0.032
Shareholders' equity per share (**)	2.07	1.76	1.53

(*) Revenues include revenue from construction and upgrading of the distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€137 million).

(**) Calculated based on the average number of the shares issued and outstanding.

The reconciliation of EBITDA and EBIT figures starting with financial statement items is provided below:

Data at 30 June 2016			
(Euro million)	Financial statements Snam Group (historic data)	Pro-forma data of Demerger Snam Group	Pro-forma data of the Beneficiary Company
Net profit	526	477	26
Income taxes	229	224	11
Pre-tax profit	755	701	37
Net income from equity investments	(64)	(59)	(9)
Net financial expenses	176	46	143
EBIT	867	688	171
Amortisation, depreciation and impairment	447	305	142
Gross operating margin (EBITDA)	1.314	993	313

CONTENTS

CONSOLIDATED PRO-FORMA SUMMARY INFORMATION FOR THE DEMERGED COMPANY AND THE BENEFICIARY COMPANY AND DATA PER SHARE AT 31 DECEMBER 2015 AND AT 30 JUNE 2016	2
DEFINITIONS.....	15
GLOSSARY	21
SUMMARY	25
TABLE FOR RECONCILIATION WITH ANNEX 1 AND ANNEX 3 OF EC REGULATION 809/2004.....	32
DECLARATION OF RESPONSIBILITY	34
STATUTORY AUDITORS OF THE ISSUER	34
1. RISK FACTORS.....	35
1.1 Main risks and uncertainties relating to Italgas and its Group.....	35
1.1.1 <i>Risks associated with the concentration of the activities of the Italgas Group.....</i>	<i>35</i>
1.1.2 <i>Market and competition risks. Risks associated with the expiration and renewal of gas distribution concessions</i>	<i>35</i>
1.1.3 <i>Market and competition risks. Risks associated with the reimbursement provided for the outgoing operator.....</i>	<i>37</i>
1.1.4 <i>Risks associated with the repayment of existing debt by the Italgas Group following the Transaction</i>	<i>39</i>
1.1.5 <i>Risks associated with the debt of the Italgas Group following the Transaction</i>	<i>43</i>
1.1.6 <i>Risks associated with insufficient working capital</i>	<i>45</i>
1.1.7 <i>Risks associated with the execution of Italgas’s strategic plan</i>	<i>46</i>
1.1.8 <i>Risks associated with the Issuer’s rating</i>	<i>48</i>
1.1.9 <i>Regulatory risk.....</i>	<i>49</i>
1.1.10 <i>Risks associated with potential competition in the sectors in which Italgas operates.....</i>	<i>50</i>
1.1.11 <i>Risk of interest rate changes and risks associated with inflation and deflation</i>	<i>50</i>
1.1.12 <i>Risks associated with environmental protection and the restoration of polluted sites</i>	<i>51</i>
1.1.13 <i>Operating risks. Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes.....</i>	<i>52</i>
1.1.14 <i>Risks associated with legal proceedings and disputes</i>	<i>53</i>

1.1.15	<i>Legal and non-compliance risk</i>	53
1.1.16	<i>Risks associated with taxation</i>	54
1.1.17	<i>Risks associated with the plan for the replacement of traditional meters with smart meters</i>	55
1.1.18	<i>Insurance risk</i>	55
1.1.19	<i>Risks associated with the continuity of Italgas Group activities and related costs</i>	56
1.1.20	<i>Risks associated with the subjection of Italgas Reti to judicial control pursuant to Proceeding No. 67/2014 RMP</i>	58
1.1.21	<i>Risks associated with the limited number of Shippers</i>	59
1.1.22	<i>Risks associated with political, social and economic instability in natural gas supplier countries</i>	59
1.1.23	<i>Risks associated with the energy efficiency certificates market</i>	60
1.1.24	<i>Risks associated with environmental, health and safety protection</i>	61
1.1.25	<i>Risks associated with dependence on specialised staff</i>	62
1.1.26	<i>Risks associated with acquisitions and industrial partnerships</i>	62
1.1.27	<i>Risks associated with the economic context and consequences of Great Britain’s exit from the European Union (Brexit)</i>	62
1.1.28	<i>Credit risk</i>	63
1.1.29	<i>Risks associated with the adoption of procedures for related-party transactions</i>	63
1.1.30	<i>Risks associated with the nature of the Issuer’s holding</i>	64
1.1.31	<i>Risks associated with the Italgas corporate governance system and the entry into force of certain provisions of the bylaws</i>	64
1.2	<i>Risks relating to potential conflicts of interest arising from Related-Party Transactions</i>	65
1.3	<i>Risks relating to forward-looking statements in the Information Document</i>	66
1.4	<i>Risks associated with Alternative Performance Measures</i>	67
1.5	<i>Risks relating to Italgas financial instruments</i>	68
1.5.1	<i>Risks associated with allocated financial instruments</i>	68
1.5.2	<i>Risks associated with fixing the market price of the Shares</i>	68
1.5.3	<i>Risks associated with potential conflicts of interest with the Sponsors</i>	68
1.6	<i>Risks associated with the Transaction</i>	69
1.6.1	<i>Risks relating to pro-forma data</i>	69

1.6.2	<i>Risks associated with failed completion or delay in completion of the Transaction</i>	70
1.6.3	<i>Risks associated with joint obligations arising from the Demerger</i>	70
1.7	<i>Risks relating to the Demerged Company arising from the Transaction</i>	70
1.7.1	<i>Risks associated with the financing sources used by Snam and the possible need for refinancing</i>	70
1.7.2	<i>Tax risks associated with the Transaction</i>	71
1.7.3	<i>Risks associated with the rating of the Demerged Company</i>	72
1.7.4	<i>Risks associated with the continuation of equity investment relationships between the Demerged Company and the Beneficiary Company</i>	73
1.7.5	<i>Risks for the Demerged Company connected with the repayment by Italgas Group of the existing debt following the Transaction</i>	73
1.8	<i>Main risks and uncertainties relating to Snam Group’s activities</i>	75
1.8.1	<i>Risks associated with maintaining gas storage concessions</i>	75
1.8.2	<i>Risks associated with dependency on authorisations for gas transportation</i>	76
1.8.3	<i>Risks associated with gas demand</i>	76
1.8.4	<i>Risks associated with the limited number of Shippers</i>	77
1.8.5	<i>Risks associated with changes in the price and volume of natural gas</i>	77
1.8.6	<i>Regulatory risk</i>	78
1.8.7	<i>Legal and non-compliance risk</i>	78
1.8.8	<i>Risks associated with taxation</i>	78
1.8.9	<i>Risks associated with potential competition in the sectors where Snam operates</i>	79
1.8.10	<i>Risks associated with political, social and economic instability in natural gas supplier countries</i>	79
1.8.11	<i>Risks associated with the emissions market</i>	79
1.8.12	<i>Risks associated with environmental, health and safety protection</i>	80
1.8.13	<i>Operating risks. Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes</i>	81
1.8.14	<i>Risks associated with dependence on specialised staff</i>	81
1.8.15	<i>Risks associated with acquisitions and industrial partnerships</i>	82
1.8.16	<i>Risks associated with the execution of Snam’s strategic plan</i>	82

1.8.17	<i>Risks associated with the economic context and consequences of Great Britain's exit from the European Union (Brexit)</i>	83
1.8.18	<i>Exchange rate risk</i>	83
1.8.19	<i>Credit risk</i>	84
1.8.20	<i>Liquidity risk. Risks associated with borrowing requirements</i>	85
1.8.21	<i>Rating risk</i>	85
1.8.22	<i>Risk of default and debt covenants. Risks associated with failure to comply with commitments envisaged in loan agreements</i>	86
1.8.23	<i>Risks associated with legal proceedings and disputes</i>	87
1.8.24	<i>Risk of interest rate changes and risks associated with inflation and deflation</i>	87
2.	INFORMATION ABOUT THE DEMERGER	89
2.1	Overview of the Demerger's methods and time frames	89
2.1.1	<i>Description of the Companies Participating in the Demerger</i>	89
2.1.2	<i>Methods, conditions and time frames of the Demerger</i>	108
2.1.3	<i>Shares to be awarded to Snam shareholders</i>	113
2.1.4	<i>Major shareholders and control structures</i>	114
2.2	Description of the assets and liabilities to be transferred to the Beneficiary Company	117
2.2.1	<i>Assets and liabilities to be transferred to the Beneficiary Company</i>	117
2.3	Reasons for and purpose of the Transaction	126
2.3.1	<i>Financial reasons and benefits of the Transaction</i>	126
2.3.2	<i>Outlook and plans of the Demerged Company</i>	127
2.3.3	<i>Outlook and plans of the Issuer</i>	127
2.4	Declaration regarding working capital, own funds and debt	128
2.4.1	<i>Declaration regarding working capital</i>	128
2.4.2	<i>Own funds and debt</i>	130
2.5	Documents made available to the public	136
2.6	Information with regard to the Transaction as carried out with Related Parties	137
2.6.1	<i>Indication of the Related Parties with which the Transaction has been implemented, the nature of the relationships and the scope and nature of the interests of said Parties</i>	137
2.6.2	<i>Significant agreements and relationships between Snam, its subsidiaries, executives and the Boards of Directors of Snam and CDP</i>	138

2.6.3	<i>Impact of the Transaction on the pay of the directors of the Demerged Company and/or its subsidiaries.....</i>	<i>141</i>
2.6.4	<i>Members of the management and control bodies, general managers and executives who are part of the Transaction.....</i>	<i>141</i>
2.6.5	<i>Transaction authorisation timetable.....</i>	<i>141</i>
3.	DESCRIPTION OF THE ITALGAS GROUP.....	143
3.1	Description of the Issuer’s activity.....	143
3.1.1	<i>The Group Italgas.....</i>	<i>143</i>
3.1.2	<i>History.....</i>	<i>144</i>
3.1.3	<i>Employees.....</i>	<i>145</i>
3.1.4	<i>Regulated activities.....</i>	<i>146</i>
3.1.5	<i>Operational Management.....</i>	<i>152</i>
3.1.6	<i>Non-regulated activities.....</i>	<i>152</i>
3.1.7	<i>Health, Safety, Environment and Quality.....</i>	<i>154</i>
3.1.8	<i>Innovation.....</i>	<i>154</i>
3.1.9	<i>Characteristics and performance of reference markets.....</i>	<i>154</i>
3.1.10	<i>List of companies directly or indirectly controlled by Italgas.....</i>	<i>159</i>
3.2	Main income statement and balance sheet indicators.....	159
3.2.1	<i>Presentation of Italgas Reti financial statements for the years 2013, 2014 and 2015 and for the half-years ended 30 June 2015 and 2016 and preparation and measurement criteria.....</i>	<i>161</i>
3.2.2	<i>Alternative Performance Measures – Introduction.....</i>	<i>169</i>
3.2.3	<i>Group Italgas Reti alternative performance measures.....</i>	<i>170</i>
3.2.4	<i>Group Italgas Reti pro-forma alternative performance measures.....</i>	<i>176</i>
3.2.5	<i>Other information.....</i>	<i>178</i>
3.3	Comments to the main economic and financial indicators of the Italgas Reti Group for the financial years 2015, 2014 and 2013.....	179
3.3.1	<i>Main economic indicators of the Italgas Reti Group for the financial years 2013, 2014 and 2015.....</i>	<i>179</i>
3.3.2	<i>Performance of the main economic indicators of the Group Italgas Reti in 2015 compared with 2014.....</i>	<i>180</i>
3.3.3	<i>Performance of the main economic indicators of the Group Italgas Reti in 2014 compared with 2013.....</i>	<i>181</i>
3.3.4	<i>Main financial indicators of the Italgas Reti Group at 31 December 2013, 2014 and 2015.....</i>	<i>183</i>

3.3.5	<i>Performance of the main financial indicators of the Group Italgas Reti in 2015 compared with 2014</i>	183
3.3.6	<i>Performance of the main financial indicators of the Group Italgas Reti in 2014 compared with 2013</i>	184
3.4	Comments to the main economic and financial indicators of the Italgas Reti Group for the half-years ending 30 June 2016 and 30 June 2015.....	184
3.4.1	<i>Main economic indicators of the Italgas Reti Group for the half-years ending 30 June 2016 and 30 June 2015</i>	184
3.4.2	<i>Performance of the main economic indicators of the Group Italgas Reti in the half-year 2016 compared with the half-year 2015</i>	185
3.4.3	<i>Main financial indicators of the Italgas Reti Group at 30 June 2016 and at 31 December 2015</i>	186
3.5	Judicial and arbitration proceedings	186
3.6	Information about management and control bodies and the corporate governance model adopted by the Beneficiary Company.....	193
3.6.1	<i>Management, control and supervisory bodies</i>	193
3.6.2	<i>Remuneration and benefits</i>	210
3.6.3	<i>Board of Directors' procedures</i>	210
3.7	Significant agreements.....	223
3.7.1	<i>Service Agreements</i>	223
3.7.2	<i>Loan Agreements</i>	228
3.7.3	<i>Cash Pooling Agreement</i>	230
3.8	Exceptional factors	231
3.9	Dependence of the Issuer and the Italgas Group on patents or licences, or industrial, commercial or financial agreements or on new manufacturing processes.....	231
3.10	Sources of declarations by the Issuer on the competitive position of the Italgas Group	232
4.	PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE ISSUER	233
4.1	Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 31 December 2015 of the Italgas Group.....	237
4.1.1	<i>Pro-forma consolidated balance sheet as at 31 December 2015</i>	238
4.1.2	<i>Pro-forma consolidated income statement for the year ended 31 December 2015</i>	240
4.1.3	<i>Pro-forma consolidated statement of cash flows for the year ended 31 December 2015</i>	241

4.1.4	<i>Notes to the Pro-Forma Consolidated Financial Statements of the Italgas Group</i>	243
4.2	Consolidated pro-forma per-share indicators for the Italgas Group	246
4.2.1	<i>Historical and pro-forma per-share data for the Beneficiary Company and the group it leads</i>	246
4.2.2	<i>Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data</i>	246
4.3	Consolidated statement of financial position, income statement and statement of cash flows at 30 June 2016 of the Italgas Group	247
4.3.1	<i>Pro-forma consolidated balance sheet as at 30 June 2016</i>	248
4.3.2	<i>Pro-forma consolidated income statement for the year ended 30 June 2016</i>	250
4.3.3	<i>Pro-forma consolidated statement of cash flows for the year ended 30 June 2016</i>	251
4.3.4	<i>Notes to the pro-forma adjustments of the Pro-Forma Consolidated Financial Statements of the Italgas Group at 30 June 2016</i>	253
4.4	Consolidated pro-forma per-share indicators for the Italgas Group at 30 June 2016	256
4.4.1	<i>Historical and pro-forma per-share data for the Beneficiary Company and the group it leads</i>	256
4.4.2	<i>Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data</i>	256
4.5	Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Italgas Group.....	257
4.5.1	<i>Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Italgas Group at 31 December 2015</i>	257
4.5.2	<i>Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 30 June 2016</i>	260
4.6	Italgas Reti Group related-party transactions	263
4.6.1	<i>Information on related-party transactions with regard to 31 December 2013, 2014 and 2015</i>	263
4.6.2	<i>Information on related-party transactions with regard to 30 June 2016</i>	266
5.	OUTLOOK FOR THE ISSUER AND THE GROUP IT LEADS	268
5.1	Information on the business performance of Italgas and the Group it leads since the end of 2015	268
5.2	Outlook for the current year.....	270

5.3	Forecast Data	270
5.4	External Auditors' report on Forecast Data.....	276
6.	SIGNIFICANT EFFECTS OF THE TRANSACTION ON THE DEMERGED COMPANY.....	279
6.1	Significant effects on the Demerged Company	279
6.2	Significant effects on the Snam Group	279
7.	PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE DEMERGED COMPANY.....	281
7.1	Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 31 December 2015 of the Post-Demerger Snam Group	286
7.1.1	<i>Pro-forma consolidated balance sheet as at 31 December 2015.....</i>	<i>286</i>
7.1.2	<i>Pro-forma consolidated income statement for the year ended 31 December 2015</i>	<i>288</i>
7.1.3	<i>Pro-forma consolidated statement of cash flows for the year ended 31 December 2015</i>	<i>289</i>
7.1.4	<i>Notes to the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 31 December 2015</i>	<i>291</i>
7.2	Consolidated pro-forma per-share indicators for the Post-Demerger Snam Group.....	295
7.2.1	<i>Historical and pro-forma per-share data for the Demerged Company and the group it leads.....</i>	<i>295</i>
7.2.2	<i>Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data.....</i>	<i>295</i>
7.3	Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 30 June 2016 of the Post-Demerger Snam Group	296
7.3.1	<i>Pro-forma consolidated balance sheet as at 30 June 2016</i>	<i>297</i>
7.3.2	<i>Pro-forma consolidated income statement for the year ended 30 June 2016.....</i>	<i>299</i>
7.3.3	<i>Pro-forma consolidated statement of cash flows for the year ended 30 June 2016</i>	<i>300</i>
7.3.4	<i>Notes to the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 30 June 2016</i>	<i>302</i>
7.4	Consolidated pro-forma per-share indicators for the Post-Demerger Snam Group at 30 June 2016.....	306
7.4.1	<i>Historical and pro-forma per-share data for the Demerged Company and the group it leads.....</i>	<i>306</i>
7.4.2	<i>Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data.....</i>	<i>306</i>

7.5	Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group	307
7.5.1	<i>Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 31 December 2015.....</i>	<i>307</i>
7.5.2	<i>Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 30 June 2016.....</i>	<i>310</i>
8.	OUTLOOK FOR THE DEMERGED COMPANY AND THE GROUP IT LEADS.....	313
8.1	Information on the business performance of Snam and the Snam Group since the end of 2015	313
8.2	Outlook for the current year.....	314
8.3	Forecast Data	315
8.4	External Auditors’ report on Forecast Data.....	318
9.	INFORMATION ON THE FINANCIAL INSTRUMENTS TO BE ADMITTED TO TRADING	321
9.1	Type and class of financial instruments to be admitted to trading.....	321
9.2	Law governing the issuance of Shares.....	321
9.3	Rules relating the sale and purchase of the Shares	321
9.4	Share issuance currency.....	321
9.5	Description of rights, including any limitations thereto, connected with the Shares and procedure for exercising them.....	321
9.6	Resolutions, authorisations and approvals pursuant to which the financial instruments were or will be created and/or issued	322
9.7	Description of any restrictions on the free transferability of the Shares.....	322
9.8	Applicability of regulations concerning public tender offers and/or residual purchase offers	322
9.9	Tax system of the Shares	323
10.	ADMISSION TO TRADING AND TRADING PROCEDURES	342
10.1	Markets for admission to trading	342
10.2	Trading commencement date	342
	ANNEXES.....	343

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DEFINITIONS

Below is a list of the key definitions concerning the Demerger that are used in the Information Document, other than those explained in the main body of the text.

AEEGSI	The independent authority established pursuant to Law No. 481 of 14 November 1995 responsible for the regulation of public utility services such as electricity and gas. Through decree No. 201/11, converted into Law No. 214/11, the Authority was also given regulatory and control functions with regard to water services to be exercised through the same powers awarded through founding Law No. 481/95. Through paragraph 17, Art. 10 of Legislative Decree No. 102 of 4 July 2014, the Authority was also awarded regulatory functions in the district heating and district cooling sector, with powers of control, inspection and sanction laid down by Law No. 481 of 14 November 1995.
AGCM	The Italian Competition Authority is an independent administrative Authority that carries out its activities and takes decisions entirely independent of its executive powers. It was established through Law No. 287 of 10 October 1990 concerning “Regulations for safeguarding competition and the market”.
Banca IMI	Banca IMI S.p.A., with its registered office at Largo Raffaele Mattioli 3, Milan.
EIB	European Investment Bank. European Union bank that takes loans on capital markets and makes loans for investments in support of objectives of the European Union.
Borsa Italiana	Borsa Italiana S.p.A., with its registered office at, Piazza degli Affari 6, Milan.
Net working capital	This refers to capital that remains employed in short-term assets and is an indicator of a company’s financial stability on the short term. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provision for risks and charges, deferred tax liabilities and other assets and liabilities ¹ .
Fixed capital	Fixed capital is defined as the sum of the value of property, plant and equipment, intangible assets, net investments and debits relating to investing activities ² .
Net invested capital	Net investments of an operational nature represented by the sum of the value of fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly associated liabilities ³ .

¹ For reconciliation of the amounts mentioned with the items in the financial statements, reference is made to the content below in Chapter 3, Paragraph 3.2 of the Information Document.

² *UT supra.*

³ *UT supra.*

CDP	Cassa Depositi e Prestiti S.p.A., a company registered under Italian law, with its registered office at Via Goito 4, Rome, with VAT No. 07756511007 and Rome Companies Register No. 80199230584.
CDP Gas	CDP Gas S.r.l., a company registered under Italian law, with its registered office at Via Goito 4, Rome, with VAT and Rome Companies Register No. 11636031004, the share capital of which is wholly owned by CDP.
CDP Reti	CDP Reti S.p.A., a company registered under Italian law, with its registered office at Via Goito 4, Rome, with VAT and Rome Companies Register No. 12084871008, subject to management and coordination by CDP.
Civil Code	The Italian Civil Code adopted through Royal Decree No. 262 of 16 March 1942, as later amended and supplemented.
Code of Corporate Governance	The Code of Corporate Governance of listed companies approved by the Committee for Corporate Governance established by, among others, Borsa Italiana.
De-Merger Assets and Liabilities	The assets and liabilities described in Chapter 2, Paragraph 2.2 of the Information Document which, as a result of the De-Merger, will be assigned to the Beneficiary Company.
EBITDA <i>Margin</i>	The ratio between the EBITDA and total income net of income from construction and the strengthening of the distribution infrastructure registered pursuant to IFRIC 12 “Service concession arrangements”.
CONSOB	Commissione Nazionale per le Società e la Borsa with its registered office at Via G.B. Martini 3, Rome.
Information Document Date	The approval date of this Information Document.
Snam Information Document Date	The publication date of the Snam Information Document, <i>i.e.</i> 5 July 2016.
Demerger Effective Date	The Demerger will be effective on the date when the Demerger deed is registered with the relevant Companies Register pursuant to Art. 2506- <i>quater</i> of the Civil Code or on the date indicated in the Demerger deed, whichever is later.
Managers with strategic responsibilities	Pursuant to the Related-Party Transactions Regulation (Annex 1, Art. 2), as defined below, Managers with strategic responsibilities are those persons who have the power and the responsibility, directly or indirectly, for the planning, management and control of company activities, including directors (executive and non-executive) of said company.

Information Document	This information document prepared pursuant to Art. 57, paragraph 1, letter d) of the Issuers' Regulation.
Snam Information Document	The information document prepared by Snam pursuant to Art. 70, paragraph 6 of the Issuers' Regulation, published on 5 July 2016 and in compliance, for all that applies, with the content required by schedule No. 2 of Annex 3B of the Issuers' Regulation in order to provide shareholders and the market with a complete information picture of the De-Merger.
EBIT	Net operating income, calculated as the sum of the values pertaining to net profit, income taxes and net financial expenses, ⁴ net of net income from equity investments ⁵ .
Adjusted EBIT	EBIT less income items classified as special items (as defined in Chapter 3, Paragraph 3.2.3.1 of the Information Document).
EBITDA	Gross operating margin, calculated as the sum of the values pertaining to EBIT and amortisation, depreciation and impairment ⁶ .
EMTN	The Euro Medium Term Notes programme of Snam renewed on 4 October 2016.
Expert	Colombo & Associati S.r.l., an independent expert from Snam, the Beneficiary Company and their respective shareholders, which is able to exercise a significant influence on these companies, and is characterised by appropriate and proven professionalism.
Equita	Equita SIM S.p.A., with its registered office at Via Turati, 9, Milan.
Equity RAB	RAB (as defined in the Glossary) net of Net Financial Debt.
Gnl Italia	Gnl Italia S.p.A., a company registered under Italian law, with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), with VAT and Milan Companies Register No. 03231010962, the share capital of which is wholly owned by Snam.
Group Italgas Reti	Collectively, Italgas Reti (previously called Italgas S.p.A.) and the companies directly or indirectly controlled by it, pursuant to Art. 2359 of the Civil Code, prior to the Demerger.

⁴ For reconciliation of the amounts mentioned with the items in the financial statements, reference is made to the content below in Chapter 3, Paragraph 3.2 of the Information Document.

⁵ For reconciliation of the amounts mentioned with the items in the financial statements, reference is made to the content below in Chapter 3, Paragraph 3.2 of the Information Document.

⁶ *UT supra*.

Italgas Group	Collectively, Italgas (previously called ITG Holding S.p.A.) and the companies directly or indirectly controlled by it, pursuant to Art. 2359 of the Civil Code and Art. 93 of the TUF, after the Demerger.
Snam Group	Collectively, Snam and the companies directly or indirectly controlled by it, pursuant to Art. 2359 of the Civil Code and Art. 93 of the TUF, prior to the Demerger.
Post-Demerger Snam Group or Group whose holding company is the Demerged Company	Collectively, Snam and the companies directly or indirectly controlled by it, pursuant to Art. 2359 of the Civil Code and Art. 93 of the TUF, after the Demerger.
Net financial debt	Indicator of the ability to meet obligations of a financial nature, calculated as the sum of the values pertaining to the short- and long-term financial debt items net of cash and cash equivalents.
Italgas Reti	Italgas Reti S.p.A. (previously Società Italiana per il Gas per Azioni, hereinafter Italgas S.p.A.), a company registered under Italian law, with its registered office at Largo Regio Parco 9, Turin, with VAT and Turin Companies Register No. 00489490011, the share capital of which is wholly owned by Snam.
Alternative Performance measures or APM	Each indicator other than a defined indicator. Defined indicator is any indicator defined by the reference accounting standards.
MEF	Ministry of Economy and Finance.
Monte Titoli	Monte Titoli S.p.A., with its registered office at Piazza degli Affari 6, Milan.
MTA	Mercato Telematico Azionario, organised and run by Borsa Italiana S.p.A.
Net debt/RAB	Relationship between the net financial debt and the RAB. The informative objective of such an indicator is to represent the level of debt in relation to the value of the Net Investment Capital recognised for regulatory purposes.
Transaction	The separation of Italgas Reti from Snam through a partial and proportional demerger with the consequent admission to trading on the MTA of the Beneficiary Company shares. The Transaction will be executed in a unitary and substantially simultaneous manner through the Contribution (as defined below), Sale (as defined below) and Demerger (the “Transaction”).
Related Parties or Related Party	Entities identified using the criteria set out in Annex 1 of the Regulations on Related-Party Transactions.

Shareholders' Agreement	The shareholders' agreement signed on 20 October 2016 (with effective date from the Demerger Effective Date) by Snam, CDP Reti and CDP Gas regarding the stakeholdings in the Beneficiary Company, respectively equal to 13.50%, 25.08% and 0.97% of the share capital.
Snam Procedure on Related-Party Transactions	The procedure " <i>Transactions involving the interests of directors and auditors and transactions with related parties</i> ", approved by the Snam Board of Directors on 30 November 2010, as amended, (after receipt of a unanimous favourable opinion from the Internal Control Committee, now known as the Control, Risk and Related-Party Transactions Committee).
Demerger Plan	The Snam partial and proportional demerger plan in favour of Italgas, approved on 28 June 2016 and published on 30 June 2016 pursuant to Art. 2506-bis of the Civil Code.
Stock Exchange Regulation	The regulation of the markets organised and run by Borsa Italiana, approved by the shareholders' meeting of Borsa Italiana, in force at the Document Date.
Issuers' Regulation	Regulation approved by CONSOB through resolution no. 11971 on 14 May 1999, as later amended and supplemented.
Market Regulations	Regulation adopted through CONSOB resolution no. 16191 of 29 October 2007, as later amended and supplemented.
Regulations on Related-Party Transactions	Regulation concerning the governance of Related-Party transactions adopted by CONSOB through resolution no. 17221 of 12 March 2010, as later amended and supplemented.
Demerger	The partial and proportional demerger of Snam to Italgas.
Snam Rete Gas	Snam Rete Gas S.p.A., a company registered under Italian law, with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), with VAT and Milan Companies Register No. 10238291008, the share capital of which is wholly owned by Snam.
Beneficiary Company or Issuer or ITG Holding or Beneficiary ⁷	Italgas S.p.A. (previously called ITG Holding S.p.A.), a company registered under Italian law, with its registered office at Via Carlo Bo, 11, Milan, with VAT and Milan Companies Register No. 09540420966, the share capital of which is wholly owned by Snam.

⁷ The shareholders' meetings of the companies participating in the demerger called for the approval of the Demerger Plan, respectively on 1 August 2016 (Snam) and 4 August 2016 (Italgas), approved the change of name and registered office of the Beneficiary Company with regard to the right already indicated in said Demerger Plan. Therefore, starting from the date the request for admission to trading on Borsa Italiana, the Beneficiary Company took the name of Italgas S.p.A. and transferred its registered office to Milan, Via Carlo Bo, 11. The operational company previously called Italgas S.p.A., as from the date of filing with Borsa Italiana of the request for admission to trading, took the name of Italgas Reti S.p.A.

Demerged Company or Snam or Demerger	Snam S.p.A., a company registered under Italian law, with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), with VAT and Milan Companies Register No. 13271390158.
External Auditors or EY	Ernst & Young S.p.A. (also EY S.p.A.), with its registered office at Via Po 32, Rome 00198, which is authorised and regulated by the MEF and registered in the special auditors' register kept by the MEF.
Companies Participating in the Demerger	Jointly Snam and Italgas.
Sponsor	Equita and Banca IMI sponsor pursuant to Art. 2.3.1, paragraph 1, letter (a) of the Stock Exchange Regulation.
Stogit	Stogit S.p.A., a company registered under Italian law, with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), with VAT and Milan Companies Register No. 13271380159, the share capital of which is wholly owned by Snam.
Consolidated Finance Act or TUF	Legislative Decree No. 58 of 24 February 1998, as later amended and supplemented.
Consolidated Income Tax Act or TUIR	Presidential Decree No. 917 of 22 December 1986, as later amended and supplemented.
<i>Adjusted</i> net profit	Net profit less income items identified as special items (as defined in Chapter 3, Paragraph 3.2.3.1 of the Information Document).
Vendor Loan	The loan granted by Snam to the Beneficiary Company for payment of the consideration for the Sale.

GLOSSARY

ATEM	Minimum Geographical Areas for conducting tenders and assigning the gas distribution service calculated as 177 pursuant to the definition of Art. 1 of the Ministerial Decree of 19 January 2011. The Municipalities belonging to each area are listed in the Ministerial Decree of 18 October 2011.
Network Codes	Documents that set out, for each type of service, the rules governing the rights and obligations of the parties involved in the process of providing those services, and that establish contractual clauses to reduce the risk of non-compliance by customers, approved through the AEEGSI at the proposal of the service provider.
ETS (Emission Trading Scheme)	The main tool used by the European Union, in furtherance of the Kyoto Protocol, in order to reduce greenhouse gas emissions in the energy sector and in businesses characterised by large emissions. Legislative decree 13 March 2013, no. 30 as amended and supplemented, implementing Directive 2009/29/EC.
Fuel Gas (or self-consumption)	Pursuant to Art. 1.1, letter c), of the annex to the AEEGSI resolution 514/2013/R/gas, Fuel Gas (or self-consumption) is the quantity of gas measured for business use, including the gas necessary for the operation of the compression stations.
Local Tender Process	The sole tender process for the provision of gas distribution services held in each of the 177 minimum geographical areas (ATEM) identified pursuant to Artt. 1 and 2 of the Decree of the Ministry of Economic Development of 19 January 2011.
UFG	Pursuant to Art. 1.1, letter k), of Annex A to the AEEGSI resolution 514/2013/R/GAS regarding the “ <i>Regulation of tariffs for the transportation and dispatching of natural gas for the regulation period 2014-2017 (RTTG)</i> ”, “ <i>the Unaccounted for Gas (UFG) is the quantity of gas not measured attributable to all the uncertainties of the terms that make up the transportation network balance equation</i> ”.
LNG	Natural gas, predominantly made of methane liquefied by cooling to approximately -160°C, at atmospheric pressure, for ease of transfer into dedicated vessels (tankers) or storage in tanks. In order to be sent in the transportation network the liquid product has to be converted into gaseous stage into regasification plants and pressurise to the operating pressure of gas pipes.
HSEQ	Health, Safety, Environment and Quality function.

IAS/IFRS	The <i>International Financial Reporting Standards</i> (IFRS), the <i>International Accounting Standards</i> (IAS), the interpretations of the <i>International Reporting Interpretations Committee</i> (IFRIC) and the <i>Standing Interpretations Committee</i> (SIC) recognised in the European Union and in force at the reference dates of this Information Document.
RP or Redelivery Point	With reference to the distribution activity, the point of demarcation between the distribution plant and the plant of the end user, where the distribution company redelivers the natural gas for supply to the end user.
Virtual Trading Point	The virtual point located between the points of entry and exit of the national gas pipeline network (as defined by the Decree of the Ministry of Industry, Trade and Small Businesses of 22 December 2000) at which any individual in possession of the requirements can carry out trade/sales of gas injected into the national network itself.
RAB or Regulatory Asset Base	Value of net invested capital for regulatory purposes, calculated based on the rules defined by the AEEGSI in order to determine the benchmark revenues for the regulated businesses (AEEGSI Resolution 514/2013/R/gas for the gas transportation business, AEEGSI Resolution 438/2013/R/gas for the gas regasification business, AEEGSI Resolution 531/2014/R/gas for the gas storage business, AEEGSI Resolutions 573/2013/R/gas and 367/2014/R/gas for the gas distribution business).
Centralised RAB	The Centralised Net Invested Capital is made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses).
Local RAB	The Local Net Invested Capital relating to the distribution service is made up of the following types of tangible fixed assets: land on which there are industrial facilities, industrial facilities, primary and secondary equipment, street conduits and branch-off equipment (junctions). Local Net Invested Capital relating to the metering service is made up of the following types of tangible fixed assets: traditional metering units and electronic metering units.
Shipper or User	For the gas transportation business, pursuant to AEEGSI Resolution 514/2013/R/gas, the Shipper or User is the user of the gas system that acquires the transportation capacity for their own use or to sell to others.

Reimbursement Value	The amount owed to outgoing operators on the termination of the service pursuant to Art. 5 of Decree of the Ministry of Economic Development No. 226 of 12 November 2011 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when M.D. No. 226/2011 came into force).
Trader	Pursuant to the “ <i>Conditions for the sale and exchange of natural gas at the Point of Virtual Exchange</i> ” approved with the AEEGSI Ruling no. 436/2005/R/Gas, a Trader is a subject different from: (i) a holder of a transport contract, (ii) the Manager of Energy Markets, and (iii) a manager of a regulatory market (stock exchange) in which derivative financial instruments are traded that provide for the physical delivery and whose compensation and guarantee activities are regulated through a clearing house that - for the purpose of operating on the Point of Virtual Exchange - signs the access contract and commits itself under the conditions and provisions contained in the Network Code, including the provision of financial guarantees.
RIV or Residual Industrial Value	The residual industrial value of the part of the plant owned by the outgoing operator is equal to the cost that should be incurred for its reconstruction as new reduced by the value of the physical degradation and also including non-current assets under construction from the accounting records (Art. 5, paragraph 5 of M.D. No. 226/2011).
WACC	Weighted Average Cost of Capital Remuneration rate of net invested capital.

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SUMMARY

A. Information Document

On 5 July 2016, Snam published an information document (the “Snam Information Document”), prepared pursuant to Art. 70, paragraph 6 of the Issuers’ Regulation and conforming, for all that applies, with the content required by schedule No. 2 of Annex 3B of the Issuers’ Regulation in order to provide shareholders and the market with a complete information picture of the partial and proportional demerger of Snam to the wholly-owned company Italgas (previously called ITG Holding S.p.A.)⁸, by virtue of which part of the wholly-owned equity investment held by the Demerged Company in Italgas Reti (previously called Italgas S.p.A.)⁹ will be assigned to the Beneficiary Company. The Demerger was approved by the shareholders’ meetings of Snam and Italgas, respectively, on 1 August 2016 and 4 August 2016.

This document (hereinafter the “Information Document”), which restates and supplements the information contained in the Snam Information Document, was prepared pursuant to Art. 57, paragraph 1, letter d of the Issuers’ Regulation for the purpose of admission to listing on the Mercato Telematico Azionario of Borsa Italiana (hereinafter the “MTA”) of the shares of the Beneficiary Company for the purpose of making information considered by CONSOB as equivalent to that of a listing prospectus available.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies’ Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

On 3 November 2016, CONSOB issued a judgment of equivalence for the Information Document prepared pursuant to Art. 57, paragraph 1, letter d of the Issuers’ Regulation and authorised its publication.

The Information Document was made available to the public on the websites of the Demerged Company (www.snam.it) and Italgas (www.italgas.it), filed and available under the authorised storage system named “NIS-Storage” managed by Bit Market Services S.p.A. (www.emarketstorage.com), as well as at the registered office of Snam in San Donato Milanese (MI), Piazza Santa Barbara 7 and Italgas in Milan, via Carlo Bo, 11.

B. Description of the Transaction

The industrial and corporate restructuring transaction described in this Information Document consists of the separation of Italgas Reti from Snam (the “Transaction”) through the partial and proportional demerger (the “Demerger”) of Snam and the consequent admission to trading on the MTA of the shares of the Demerger

⁸ The shareholders’ meetings of the companies participating in the demerger called for the approval of the Demerger Plan, respectively on 1 August 2016 (Snam) and 4 August 2016 (Italgas), approved the change of name and registered office of the Beneficiary Company with regard to the right already indicated in said Demerger Plan. Therefore, starting from the date the request for admission to trading on Borsa Italiana, the Beneficiary Company took the name of Italgas S.p.A. and transferred its registered office to Milan, Via Carlo Bo, 11. The operational company previously called Italgas S.p.A., as from the date of filing with Borsa Italiana of the request for admission to trading, took the name of Italgas Reti S.p.A.

⁹ The operational company previously called Italgas S.p.A. which as from the date of filing with Borsa Italiana of the request for admission to trading, took the name of Italgas Reti S.p.A.

Beneficiary Company. The Transaction will be executed in a unitary and substantially simultaneous manner through the Contribution (as defined below), Sale (as defined below) and Demerger (the “Transaction”).

Through the Transaction, the entire equity investment held by Snam in Italgas Reti as at the Information Document Date, equal to 100% of the share capital of Italgas, will be transferred to Italgas.

The Italgas Reti Group is the leading operator in Italy within the natural gas urban distribution sector.

Specifically, the Transaction as a whole, which will occur in a unitary and substantially simultaneous manner, includes:

- a) the contribution in kind by Snam to Italgas of a stake equal to 8.23% of the share capital of Italgas Reti (the “Contribution”), in exchange for the allocation to Snam of 108,957,843 newly issued shares of Italgas, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);
- b) the sale by Snam to Italgas of 98,054,833 shares of Italgas Reti, equal to 38.87% of the share capital of Italgas Reti (the “Sale”), for a price of €1,503 million, together with the assumption of an equal amount of debt at the Beneficiary Company (Vendor Loan); and
- c) the partial and proportional Demerger of Snam, with the allocation to Italgas of an equity investment equal to the 52.90% held by the Demerged Company in Italgas Reti, and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company’s share capital.

With reference to the reports issued by the Expert under the scope of the Transaction, please see Chapter 2, Paragraph 2.2 of this Information Document.

For more information about the Transaction, see Chapter 2, Paragraph 2.2 of this Information Document.

C. Nature of the Transaction with Related Parties

The Snam Information Document has also been prepared pursuant to Art. 5, paragraphs 1 and 6 of the Regulations on Related-Party Transactions, as well as to Art. VII, paragraph 2 of the Snam Procedure on Related-Party Transactions, and in compliance, for all that applies, with the content required pursuant to Annex 4 to the Regulations on Related-Party Transactions.

As illustrated in Chapter 2, Paragraph 2.6 of this Information Document, the Demerger does not constitute a “Transaction with Related Parties” (see CONSOB communication no. DEM/10078683 of 24 September 2010) while the Contribution and the Sale, albeit qualifying as transactions with Related Parties, come under the exemption pursuant to Art. 14, paragraph 2 of the Snam Regulations on Related-Party Transactions and Art. X, Paragraph 8 of the Snam Related-Party Procedure, whereby the procedures to be applied to Related-Party Transactions do not apply in the case of transactions concluded with subsidiaries (Italgas) if in the latter there are no significant interests by other related parties.

As provided for by the memorandum of understanding entered into on 28 June 2016 between Snam, CDP Reti and CDP Gas (the “Memorandum of Understanding”), on 20 October 2016 (with effective data from the

Demerger Effective Date), Snam, CDP Reti and CDP Gas entered into a shareholders' agreement (the "Shareholders' Agreement"), relating to equity investments which will be held in the Beneficiary Company, equal to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholders' Agreement is to ensure a stable and transparent ownership structure of Italgas following the Transaction. The Shareholders' Agreement has a term of three years and is renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of governance which, following the implementation of the Transaction, shall apply to Italgas and Italgas Reti.

As at the Information Document Date, CDP holds, via CDP Reti and CDP Gas, 28.98% and 1.12%, respectively, of the voting share capital of Snam, and falls within the scope of the definition of Related Party pursuant to Annex 1 to the Regulations on Related-Party Transactions.

In light of CDP's involvement as a Related Party of Snam, and of the relationship between the Transaction and the Shareholders' Agreement between Snam, CDP Reti and CDP Gas pursuant to the Memorandum of Understanding, Snam has not made use of the aforementioned exemption and has subjected the entire Transaction to the procedure for "Significant Transactions" provided for by Art. 8 of the Regulations on Related-Party Transactions and by Art. VI of the Snam Procedure on Related-Party Transactions.

The Transaction and, specifically, the Memorandum of Understanding, has been examined by the Snam Control and Risks and Related-Party Transactions Committee for the purpose of the Snam Procedure on Related-Party Transactions.

On 28 June 2016, the Snam Control and Risks and Related-Party Transactions Committee released its unanimous favourable reasoned opinion surrounding Snam's interest in proceeding with the Transaction as well as on the expediency and essential correctness of the related conditions.

For further information regarding the activities of the Control, Risks and Related-Party Transactions Committee, the Memorandum of Understanding and the Shareholders' Agreement, please see Chapter 2, Paragraph 2.6 of this Information Document.

D. Graphic representation of the Transaction

The two graphics below illustrate the shareholder structure of the Snam Group, pre- and post-Demerger:

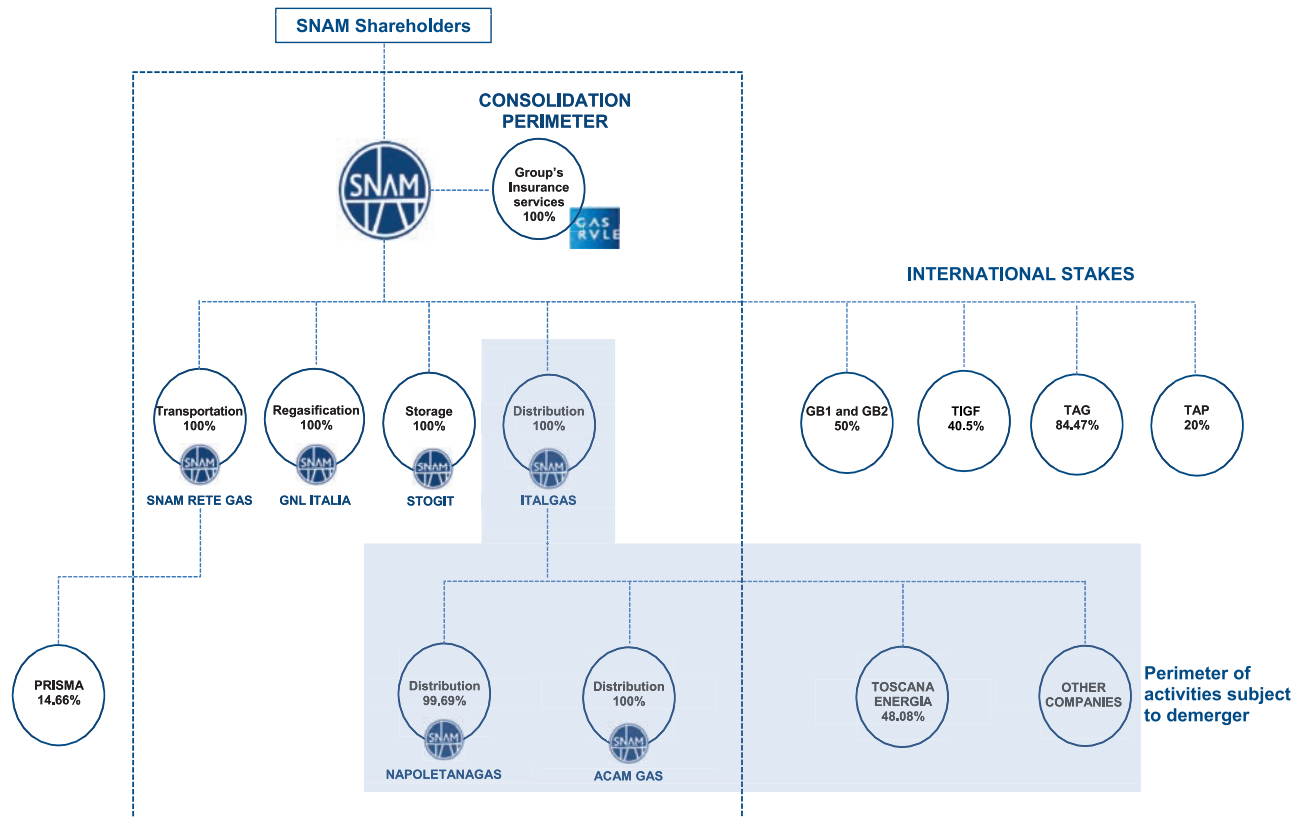


Figure 1 – Diagram of the Snam Group pre-Demerger

Note: Gasbridge 1 B.V. (“GB1”), a company organised under the law of the Netherlands established at Herikerbergweg 238, 1101 CM Amsterdam, Netherlands, recorded in the register of companies as number 54947758, VAT number 851503688, jointly controlled by Snam (50%) and Fluxys Europe B.V. (50%); holding company for the equity stake in Interconnector UK Ltd.

Gasbridge 2 B.V. (“GB2”), a company organised under the law of the Netherlands established at Herikerbergweg 238, 1101 CM Amsterdam, Netherlands, recorded in the register of companies as number 54947588, VAT number 851503603, jointly controlled by Snam (50%) and Fluxys Europe B.V. (50%); holding company for the equity stake in Interconnector UK Ltd.

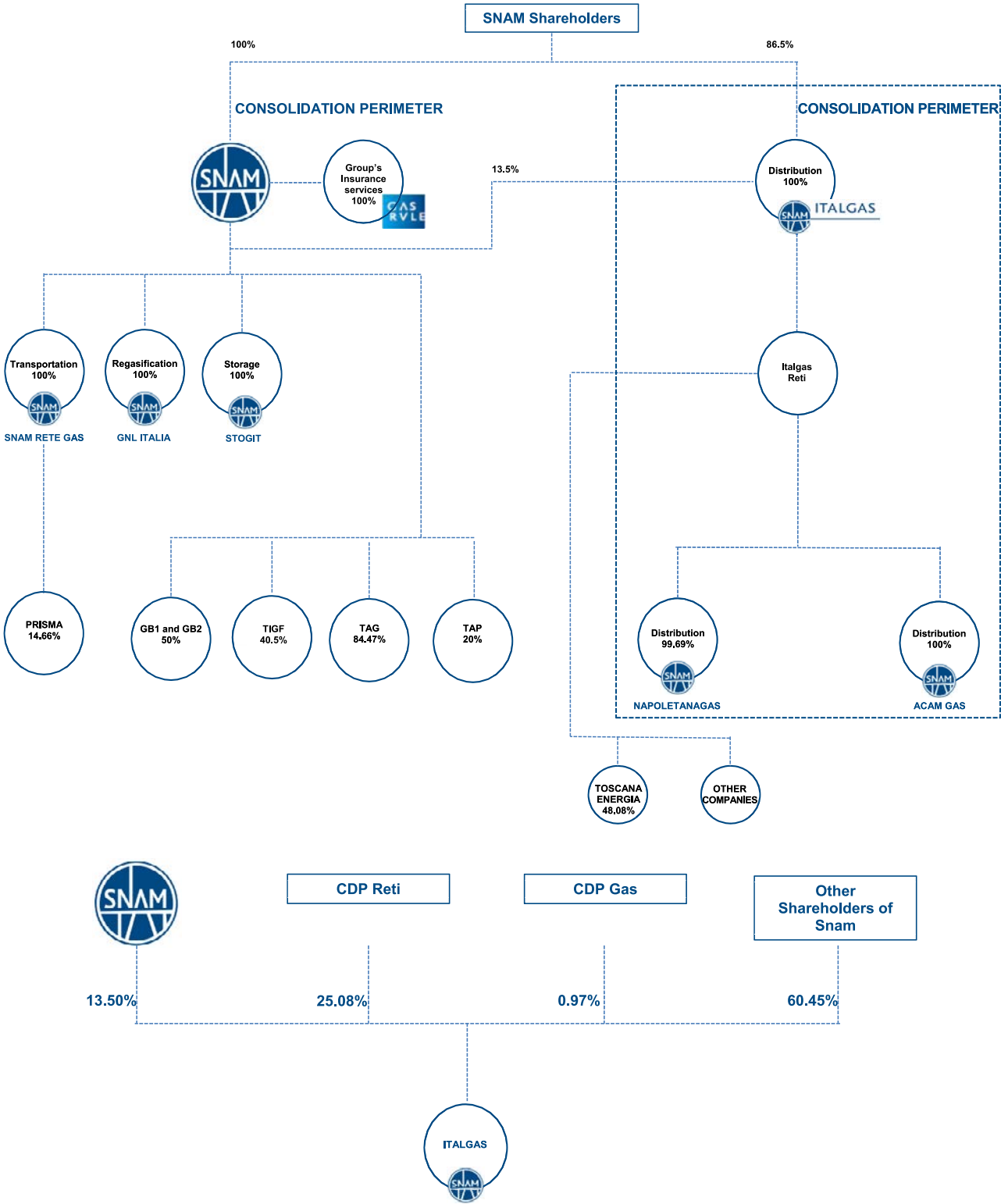


Figure 2 – Diagram of the Snam Group post-Demerger and of the Italgas Group

E. Reasons for and purpose of the Transaction

This is primarily a business Transaction aimed at separating the Snam Group's Italian gas distribution activities (carried out by the Italgas Reti Group) from its gas transportation and dispatching, regasification and storage activities in Italy and abroad. Within this framework, the division of the Transaction into the aforementioned three steps (*i.e.* Contribution, Sale and Demerger, which will be carried out simultaneously) allows, on the one side, for Snam to hold, post-Demerger, an equity investment of 13.50% in the Beneficiary Company (mainly resulting from the Contribution) and, on the other side, a consequent level of debt upon the Issuer, that the Issuer deems sustainable and in line with its own activity, risk and cash flow generation profile (by means of the Sale and the consequent disbursement of the Vendor Loan).

The reason for the Transaction is the belief that the gas distribution activities (which are the subject of the Demerger) present very specific characteristics that are different from the rest of the Snam Group's activities in terms of operational organisation, competitive context, regulation and investment requirements.

Two distinct groups will emerge from the Demerger, each focused on its own business and with clearly identified, market-visible objectives. The two groups, given the necessary autonomy and efficiency, will have the potential to fully grasp opportunities for strategic development and a clearly defined operating profile, which will enable them to fully realise their value.

As a result of the Demerger, each Snam shareholder will have, in place of a Snam share, two different shares representing the different business areas in which Snam operates as at the Information Document Date. Specifically, the Snam shares, on the one side, Snam being a company operating in the transportation, dispatching, regasification and storage of natural gas, and the ITG Holding shares, on the other side, Italgas being a company operating in the distribution of natural gas.

For more information about the reasons for and purposes of the Transaction, see Chapter 2, Paragraph 2.3.1 of this Information Document.

F. Method of granting shares of the Issuer

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one Italgas share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, on 16 September 2016 Snam engaged an authorised intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

The Demerger Plan is available to the public on the website of the Demerged Company (www.snam.it).

For more information, please see Chapter 2, Paragraph 2.2 of this Information Document.

G. Conditions precedent and timetable for the Transaction

In addition to the conditions of law, including, in particular, the favourable vote of Snam's Shareholders' Meeting held on 1 August 2016, the effectiveness of the Transaction is subject to:

- (i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the MTA;
- (ii) the issuance of the judgement of equivalence by CONSOB pursuant to Art. 57, paragraph 1, letter d) of the Issuers' Regulation in relation to this Information Document, supplemented pursuant to the same Art. 57 of the Issuers Regulation; and
- (iii) the approval by the bondholders of the Demerged Company.

The term provided under Article 2503 of the Italian Civil Code expired on 30 October 2016, and none of the creditors challenged the Transaction prior to the expiration of such term.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies' Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

On 3 November 2016, CONSOB issued a judgment of equivalence for the Information Document prepared pursuant to Art. 57, paragraph 1, letter d of the Issuers' Regulation and authorised its publication.

The meeting on the Snam bondholders approved the Transaction on 30 September 2016, therefore, at the Information Document Date the conditions to which the Transaction is subject were verified.

It is noted that, at any time, thus even at a time later than approval of the Demerger Plan by the shareholders' meetings of the Companies Participating in the Demerger, the process of admitting the shares of the Beneficiary Company to trading on the MTA may be interrupted or suspended whenever conditions suitable for proceeding with the listing are not met.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner. In particular, the Demerger operation (and therefore the effectiveness of the Demerger) is conditional upon the issuance of the resolutions referred to at points (i) and (ii) above and shall be effective from the date of the start of trading; the Contribution and Sale operations are conditional upon the effectiveness of the Demerger operation.

Following the Demerger, Snam shares will continue to be listed on the MTA.

TABLE FOR RECONCILIATION WITH ANNEX 1 AND ANNEX 3 OF EC REGULATION 809/2004

For convenience in consulting the Information Document, the following table is provided indicating the contents of Annex 1 “Minimum information to be included in the share registration document (schedule)” and of Annex 3 “*Minimum information to be included in the information note on financial instruments relating to shares (schedule)*” under EC Regulation 809 of 29 April 2004 and reference to the corresponding chapters of the Information Document.

ANNEX 1	CHAPTERS OF THE INFORMATION DOCUMENT
1. PERSONS RESPONSIBLE	DECLARATION OF RESPONSIBILITY
2. STATUTORY AUDITORS	ISSUER’S STATUTORY AUDITORS
3. SELECTED FINANCIAL INFORMATION	3.2 Main income statement and balance sheet indicators 3.3 Main economic and financial indicators of the Italgas Reti Group for the financial years 2015, 2014 and 2013 3.4 Main economic and financial indicators of the Italgas Reti Group for the half-years ending 30 June 2016 and 30 June 2015
4. RISK FACTORS	1. RISK FACTORS
5. ISSUER INFORMATION	2. INFORMATION ABOUT THE DEMERGER 3. DESCRIPTION OF THE ISSUER
6. OVERVIEW OF ACTIVITIES	3.1 Description of the Issuer’s activities
7. ORGANIZATIONAL STRUCTURE	3.1.1 <i>Italgas Group</i> 3.1.3 <i>Employees</i> 3.1.10 <i>List of companies directly or indirectly controlled by Italgas</i>
8. PROPERTY, PLANT AND EQUIPMENT	2.2.1 <i>Assets and liabilities to be transferred to the Beneficiary Company</i> 3.1.6 <i>Non-regulated assets</i>
9. DESCRIPTION OF THE OPERATING AND FINANCIAL POSITION	4. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE ISSUER
10. FINANCIAL RESOURCES	4. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE ISSUER
11. RESEARCH AND DEVELOPMENT, PATENTS AND TRADEMARKS, AND LICENSES	N/A
12. INFORMATION CONCERNING ANTICIPATED TRENDS	5.1 Indicia on the business performance of Italgas and of the Group that it leads since the end of the 2015 financial year 5.2 Prospects for the current financial year
13. PROFIT FORECASTS OR ESTIMATES	5.3 Estimates and Forecast Data
14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND KEY MANAGERS	3.6 Information about management and control bodies and the corporate governance model adopted by the Beneficiary Company 2.1.1 <i>Description of the Companies Participating in the Demerger</i>
15. REMUNERATION AND BENEFITS	3.6.2 Remuneration and benefits
16. PRACTICES OF THE BOARD OF DIRECTORS	3.6.3 Practices of the Board of Directors
17. EMPLOYEES	3.1.3 Employees
18. PRINCIPAL SHAREHOLDERS	2.1.4. Significant shareholding and control structures -Shareholding of the Beneficiary Company
19. TRANSACTIONS WITH RELATED PARTIES	2.6 Information with regard to the Transaction as carried out with Related Parties 4.6 Transactions with related parties of the Italgas Reti Group
20. FINANCIAL INFORMATION ON THE ASSETS AND LIABILITIES, THE FINANCIAL POSITION AND THE PROFITS AND LOSSES OF THE ISSUER	4. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE ISSUER 7. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE DEMERGED COMPANY
21. SUPPLEMENTARY INFORMATION	2. INFORMATION ABOUT THE DEMERGER
22. IMPORTANT CONTRACTS	3.7 Significant contracts
23. INFORMATION DERIVING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTERESTS	N/A
24. DOCUMENTS AVAILABLE TO THE PUBLIC	2.5 Documents made available to the public
25. INFORMATION ON EQUITY STAKES	N/A

ANNEX 3	CHAPTERS OF THE INFORMATION DOCUMENT
1. PERSONS IN CHARGE	DECLARATION OF RESPONSIBILITY
2. RISK FACTORS	1. RISK FACTORS
3. ESSENTIAL INFORMATION	2.4 Declaration relating to working capital and to treasury funds and debt
4. INFORMATION CONCERNING FINANCIAL INSTRUMENTS TO BE TENDERED/TO BE ADMITTED TO TRADING	9. INFORMATION CONCERNING FINANCIAL INSTRUMENTS TO BE ADMITTED TO TRADING
5. TERMS AND CONDITIONS OF THE TENDER	N/A
6. ADMISSION TO TRADING AND TRADING PROCEDURE	10. ADMISSION TO TRADING AND TRADING PROCEDURE
7. HOLDERS OF FINANCIAL INSTRUMENTS WHO PROCEED WITH THE SALE	N/A
8. EXPENSES RELATED TO THE ISSUANCE/TENDER	N/A
9. DILUTION	N/A
10. ADDITIONAL INFORMATION	N/A

DECLARATION OF RESPONSIBILITY

Snam and Italgas, each insofar as it concerns them, declare that, having exercised all reasonable due diligence, the information in the Information Document, to the best of their knowledge, conforms to the facts and does not contain omissions that would change the meaning.

The Information Document conforms to the model filed at CONSOB on 4 November 2016, following the issuance of the judgement of equivalence through the note of 3 November 2016, protocol no. 0098301/16.

STATUTORY AUDITORS OF THE ISSUER

Italgas is a company established on 1 June 2016 and registered at the Milan Companies Register on 3 June 2016, therefore there are no financial statements or consolidated financial statements available for previous financial years.

The ordinary shareholders' meeting of 4 August 2016, appointed the following independent auditors for the financial years 2016 to 2024, inclusive, pursuant to Artt. 13 *et seq.* of Legislative Decree No. 39 of 27 January 2010, EY S.p.A. (the "Independent Auditors" or "EY") with its registered office at Via Po 32, Rome. This appointment includes the full auditing of the financial statements and the consolidated financial statements of Italgas for the years from 2016 to 2024, the limited auditing of the condensed interim consolidated financial statements from 2016 to 2024 and checking that the company accounts and affairs of the company are correctly recorded in the accounting records of Italgas for the financial years from 2016 to 2024.

EY issued:

- the External Auditors Report on the three-year consolidated financial statements for the years ending 31 December 2013, 2014 and 2015 for Italgas Reti on 29 July 2016;
- the External Auditors Report on the condensed interim consolidated financial statements for the year ending 30 June 2016 for Italgas Reti on 5 August 2016;
- the Report on the examination of the Italgas Group Pro-forma Consolidated Financial Statements for the year ending 31 December 2015 on 9 September 2016;
- the Report on the examination of the Italgas Group Pro-forma Consolidated Financial Statements for the period ending 30 June 2016 on 9 September 2016; and
- the Report on the Forecast Data of the Group Italgas contained in the Information Document on 2 November 2016.

RISK FACTORS**1. RISK FACTORS**

Investors are invited to carefully read the risk factors described below and the other information contained in this Information Document before making a decision on investing in financial instruments issued by the Issuer.

1.1 Main risks and uncertainties relating to Italgas and its Group*1.1.1 Risks associated with the concentration of the activities of the Italgas Group*

As a result of the Transaction, Snam will transfer to Italgas the entire equity investment that it currently holds in Italgas Reti, which is active in the gas distribution business, and consequently Italgas Reti will cease to fall within the scope of consolidation of Snam. As a result, Italgas will be active, either directly or through its subsidiaries and unconsolidated investee companies, in natural gas distribution in Italy. The future results of Italgas will therefore reflect the economic performance of these activities.

The Italgas Group activities will be influenced by the uncertainty linked to the renewal of gas distribution concessions following the Local Tender Processes, as well as by the quantification of the reimbursements provided for the outgoing operator pursuant to the applicable regulations. Unfavourable developments in these areas could have significant negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

For further information please see Chapter 3, Paragraph 3.1 of the Information Document.

1.1.2 Market and competition risks. Risks associated with the expiration and renewal of gas distribution concessions

Gas distribution activities, where the Snam Group is active and the Italgas Group will be active from the Demerger Effective Date, are carried out pursuant to concessions issued by individual municipalities. As of 31 December 2015, the above-mentioned concessions, which are held by Italgas Reti and its Subsidiaries (Napoletanagas S.p.A. (“Napoletanagas”), AES Torino S.p.A. (“AES Torino”)¹⁰ and ACAM Gas S.p.A. (“ACAM Gas”), come to a total of 1,472, of which 1,183 have expired. The average remaining life of the concessions still in force is equal to 7 years. During financial year 2015, 74% (i.e., €756 million) of Italgas Reti’s income for carrying services was tied to expired concessions; during the first half of 2016, this percentage is equal to 73%. In the Italgas Strategic Plan, the Italgas Group assumes that the expired concessions are re-assigned to the winner of the tenders provided for by the applicable legislation during the period 2016-2020. Therefore, the above-mentioned percentage represents the maximum risk of potential loss of revenues as at the Information Document Date, and, consequently, of margins of the Italgas Group in the event that – after the participation to the tenders – it does not obtain the re-assignment of some of the expired concessions, it being understood that, in such a case, the Reimbursement Value would be paid. Given the lack of information on the margins for each concession, the Issuer assumes a proportional correlation between loss of revenues and EBITDA losses.

¹⁰ AES Torino was merged by incorporation into Italgas Reti with effect from 1 January 2016.

RISK FACTORS

For the sake of completeness, it should be noted that the issue relating to the expiration of concessions concerns not only the Italgas Reti Group, but all operators active in the gas distribution sector in Italy. In this regard, from the moment the gas distribution service is qualified as a public service, the companies of the Italgas Reti Group – also following the expiry of the concession – continue and should continue with the management of the service (and be remunerated), limited to the ordinary administration, until the start date of the new concession (Art. 14 of Legislative Decree No. 164 of 2000).

From 2011, Interministerial Decree No. 226 of 12 November 2011 sets out that the gas distribution service could only be conducted based on tender processes announced exclusively for ATEMs (Minimum Territorial Areas, as defined in the Glossary), predominantly of a provincial size. For this purpose, the Italian territory has been sub-divided into 177 MTAs (Minimum Territorial Areas, as defined in the Glossary).

Each ATEM is made up of a combination of Municipalities served by distribution plants that must be managed by a single concession holder, a beneficiary of the service and identified following the tender. The average size of ATEMs identified is around 110,000 users and stretches from a minimum of around 20,000 to a maximum of around 1,300,000 users. The maximum duration of the commitment is up to 12 years.

Regarding the tender implementation times, based on the ministerial timetable referred to in Law 11/2015, the launch was expected for July 2015 with a concentration of tenders in the years 2015, 2016 and 2017. The timetable of the Ministry of Economic Development was updated on further occasions, most recently by the “Milleproroghe” decree, converted into law in February 2016. This decree reviewed the tender publication dates, leaving the overall time limits virtually unchanged and, therefore, focusing them on the years 2016 and 2017. It also (i) postponed the times for the publication of notices (to July 2016 for the first group of ATEMs); (ii) granted an additional 6 months for replacement by the Regions, while allowing for replacement by the Ministry of Economic Development if the regions did not perform; and (iii) eliminated the economic penalty for non-performing bodies.

This new restructuring therefore provides for the publication of 74 invitations to tender in 2016 (of which 13 were already published in 2015), 98 in 2017 and 5 in 2018 and 2019.¹¹

At the Information Document Date, 16 invitations were published for a total of 17 ATEMs (Cremona 2 and Cremona 3 were grouped together), of which one was withdrawn and six were suspended. For a further seven invitations to tender the bid submission dates were postponed, or rather the pre-qualification request. Furthermore, it is known that a part of the invitations already published were subject to appeal by different operators, which challenged that the above-mentioned invitations were not in full compliance with the aforementioned legislation.

See Chapter 3, Paragraph 3.1.9 of the Information Document for more information about the Local Tender Process.

¹¹ In 2012, the Municipality of Rome awarded (through a tender) the concession for natural gas distribution services within its territory, with a term expiring in 2024. In its capacity as contracting authority, the Municipality of Rome will have to set-up the tender process relating to the entire Rome 1 ATEM, which – in addition to the Municipality of Rome – includes the municipalities of Ciampino, Fiumicino, Frascati, Grottaferrata, Marino and Rocca di Papa. It may therefore be confirmed that the expected number of tenders processes by 2019 (based on the ministerial timetable set forth under Law 11/2015) is equal to 177, in line with the number of ATEMs.

RISK FACTORS

The criteria used to evaluate tender offers for natural gas distribution service concessions are governed by Ministerial Decree No. 226 of 12 November 2011. The criteria for granting concessions provides for the following: 28 points for the monetary offer (taking into account the rate discount, the services offered to the clients and the fees to be paid to the relevant municipality); 27 points for the management offer (taking into account the quality and safety of the service offered), and 45 points for the technical offer (taking into account the offeror's assessment of the status of the networks and the offeror's ability to implement and improve the investment plan of the contracting entity in connection with the extension, maintenance and technical innovation).

At the Information Document Date, it is not yet possible to express a certain evaluation concerning each element of the new concession allocation system, and there is no consolidated interpretation of the new regulatory framework from the granting authorities or from administrative case law.

Under the tender processes launched, the Italgas Reti Group may not be awarded concessions in the planned areas, or may be awarded said concessions under conditions that are less favourable than the current conditions, with a possible negative impact on its operations, results, balance sheet and cash flow. It should, however, be pointed out that, if the concessions relating to previously managed municipalities are not awarded, the companies of the Italgas Reti Group will have the right to be paid the Reimbursement Value in favour of the outgoing operator, calculated in accordance with Ministerial Decree No. 226 of 12 November 2011 ("D.M. No. 226/2011"). It is possible that the Reimbursement Value of the concessions resulting from the Tenders, where a third party is an assignee, is below the value of the RAB. Such a case could have significant negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

Under the tender processes launched, Italgas Reti may be awarded ATEM concessions previously managed entirely or partly by other operators; therefore it is not possible to rule out that these awards could, at least initially, involve greater running costs for Italgas Reti compared with its operating standards.

Given the complexity of the regulations governing the expiration of the concessions held by the Italgas Reti Group, this could give rise to judicial and/or arbitral disputes between concession-holders, including Italgas Reti, and third parties, with possible negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

For more information, please see Chapter 3, Paragraph 3.1 of the Information Document.

1.1.3 Market and competition risks. Risks associated with the reimbursement provided for the outgoing operator

With regard to gas distribution concessions, Art. 14, paragraph 8 of Legislative Decree No. 164 of 2000 establishes that the new operator is obliged, inter alia, to pay a sum to the outgoing distributor equal to the Reimbursement Value for the plants whose ownership is transferred from the outgoing distributor to the new operator. Specifically, M.D. No. 226/2011 provides that the incoming operator acquires ownership of the facility with payment of the reimbursement to the outgoing operator, with the exception of any portions of the facility already under municipal ownership or which become municipally owned as a result of any free donations.

RISK FACTORS

As a result of these regulations, there could be cases in which the amount to be reimbursed is lower or higher than the value of the Regulatory Asset Base (RAB).

The RAB of the Italgas Reti Group on 31 December 2015 was approximately €5.7 billion¹², as the sum of the Local RAB of approximately €5.4 billion and the Centralised RAB of approximately €0.3 billion.

At the Information Document Date, Italgas Reti estimated that the Reimbursement Value of the total portfolio of the concessions of the Italgas Reti Group, net of free assignments, was approximately €5.6 billion based on the method provided for by Art. 5 of M.D. No. 226/2011, as amended, and by the Guidelines, making an exception for concessions that, based on the aforementioned regulation, provide for specific contractual stipulations regarding the calculation of the Reimbursement Value (Roma Capitale, City of Venice, Naples and other smaller municipalities). Pursuant to the legislation in force, these specific contractual agreements prevail over the general criteria set out by the Guideline and result:

- (i) prior to the issuance of Decree 164/2000, from concessions awarded by direct negotiation;
- (ii) subsequently and until the issuance of Ministerial Decree 226/2011, by tender announced by individual municipalities with very different rules between tenders;
- (iii) with the publication of Ministerial Decree 226/2011 and the obligation to carry out the Local Tender Processes, such differences shall be overcome through the adoption of a notice and tender specifications, in addition to a standardised service agreement.

It is possible that the Reimbursement Value of the concessions resulting from the Tenders, where a third party is an assignee, is below the value of the RAB. Such a case could have significant negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In 2012, Italgas Reti won the tender awarding the concession for natural gas distribution service in the municipality of Rome, which represents the most significant concession in Italgas' portfolio (Roma Capitale concession includes about 1.3 million RPs out of a total for the Italgas Reti Group of about 6.5 million equal to approximately 20%). Upon the outcome of the tender, for which the Local Tender Processes regulation still did not apply, a service agreement was signed with a term of 12 years, which is due to expire on 20 November 2024. The municipality of Rome has made the network, facilities and buildings instrumental to the service available to Italgas Reti for the entire term of the service agreement.

The Reimbursement Value as of 31 December 2015 for the Roma Capitale concession was estimated by Italgas Reti to be approximately €1 billion. This amount is equal to the total of:

1. the amount paid to the municipality of Rome at the beginning of the concession (November 2012) as a one-off payment for the management of the service (€874.7 million), net of amortisation as of 31 December 2015 calculated for the duration of the agreement and on the basis of the remaining

¹² RAB as of 31 December 2015 refers to the last RAB defined for regulatory purposes (RAB for tariff definition 2015), increased by the investments made in 2014 and 2015 and reduced by the share of annual depreciation and amortisation for 2014 and 2015.

RISK FACTORS

Reimbursement Value at the end of the concession (€299.6 million), as provided for in the agreement; and

2. the value of cumulative investments starting at the beginning of the concession, in accordance with the provisions set out in the agreement, and, in particular, with reference to their partial acknowledgement within the Reimbursement Value, net of related amortisation. The contractual terms of the concession signed with the Commune of Rome provide that 50% of the investments made during the first three years of the concession will be free of charge.

As of 31 December 2015, Italgas Reti has estimated the RAB related to the Roma Capitale concession to be about €1.35 billion (equal to approximately 24% of the RAB total of the Italgas Reti Group). It cannot be excluded that, at the time of expiration of the service agreement, the difference between the Reimbursement Value and the RAB value related to the Roma Capitale concession would be higher than the one estimated as of 31 December 2015.

If concessions for municipalities previously managed by Italgas Reti or its subsidiaries are awarded, based on the analyses conducted by the regulatory framework in force and under the scope of existing IAS/IFRS international accounting principles, the event would be represented in the financial statements together with the situation before the tender and thus without recording the greater values, therefore not resulting in the realisation of taxable income for the purpose of IRES and IRAP.

Because of the complexity of the applicable regulations, this could result in the risk of different interpretations, with possible negative effects on the balance sheet, income statement and financial position of the Italgas Reti Group. At the Information Document Date, no specific interpretations were noted of the above-mentioned applicable legislation that could cause negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

For more information please see Chapter 3, Paragraphs 3.1 and 3.1.9 of the Information Document.

1.1.4 Risks associated with the repayment of existing debt by the Italgas Group following the Transaction

As a result of the Transaction, the Italgas Group shall be required to pay off loans with the Demerged Company for a total of €3,589 million¹³, of which:

- (i) €2,086 million of intercompany loans, pre-existing at the time of the Transaction, derive from the transfer to the Issuer by the Demerged Company of the funds through the issuance of bonds, the disbursement of EIB loans and the use of credit lines, for the purpose of group cash pooling and which overturns the economic conditions that were already obtained without any additional margin;
 - a) loans by way of bond issues of the Demerged Company amounting to €1,134 million, inclusive of the valuation at market value thereof, amounting to €123 million;

¹³ Value as at 30 September 2016, which includes the interest portion of the instalments amounting to €18 million, of which €17 million are related to the financing referred to under (i)(a) above and €1 million relate to the loans granted by the EIB, referred to under (i)(c) above.

RISK FACTORS

- b) intercompany treasury agreement amounting to €527 million, corresponding to the same bank funding conditions of the Demerged Company;
 - c) financing by way of EIB loans disbursed to the Demerged Company amounting to €425 million; Italgas is expected to assume such loans starting from the Demerger Effective Date;
- (ii) €1,503 million related to the Vendor Loan, which corresponds to the financial debt assumed by Italgas in connection with the Sale effective from the Demerger Effective Date;

The average overall cost of the financing under a), b) and c) above as at 30 September 2016 amounted to approximately 2.5% and the average residual duration was approximately five years. The contractual agreements between the Demerged Company and the Issuer provide that the Issuer reimburses such loans (on the basis of the balance with value date 4 November 2016) within 5 business days of the Demerged Effective Date.

With regard to the Vendor Loan, the relevant contract provides that the Vendor Loan shall be repaid within five business days of the Demerged Effective Date and shall have a rate of interest corresponding the cost of the Snam banking funding.

While the Issuer deems that the overall amount of financing debt of the Italgas Group as a consequence of the Demerger (consisting of intercompany loans under (i) above and the Vendor Loan under (ii) above) is consistent with the Italgas Group’s profile of activities, risk and cash-flow generation, as at the Information Document Date there is a risk that such level of debt on the Italgas Group may not be sustainable in light of the functioning of the financial markets and the Italgas Group’s income results.

In this respect, the dynamics of the net financial debt and the net financial net/EDBITDA ratio of the Italgas Reti group in the three-year period of 2013-2015 and, at 30 June 2016, the pro-forma net financial debt of the Italgas Group at 31 December 2015, 30 June 2016 and 31 December 2016 (prospective date) are shown below.

In Euro billion	31 December 2013	31 December 2014	31 December 2015	30 June 2016
Italgas Reti Group Net Financial Debt	1.7	1.8	1.8	1.7
Italgas Reti Group (Net Financial Debt/EBITDA)	(2.3x)	(2.5x)	(2.5x)	n.s.
Italgas Group Pro-forma Net Financial Debt	n.a.	n.a.	3.5	3.4
Italgas Group Pro-forma (Net Financial Debt/EBITDA)	n.a.	n.a.	(4.7x)	n.s.

The expected pro-forma net financial debt of the Italgas Group at 31 December 2016 is in the amount of €3.7 billion.

To become independent from the Snam Group from a financial standpoint, the Issuer:

- (i) entered into certain loan agreements, the effectiveness of which is conditional upon the admission to listing of the Italgas shares on the MTA, which provide for the utilisation of certain lines of credit and term loans to be drawn to repay the indebtedness *vis-à-vis* Snam for a total amount of €3.2 billion, and the utilisation of other lines of credit for an amount of €736 million. In particular, these agreements provide for:

RISK FACTORS

- (a) a Bridge to Bond variable rate financing, equal to €2.3 billion, provided by a pool of 11 banks, with a duration of 12 months and renewable, at the exclusive option of the borrower, twice for an additional six months, and with a spread of approximately 0.3% over the 1, 3 and 6-month Euribor (at the discretion of the borrower), with floor on the Euribor equal to zero, with payment of interest on a half-yearly basis in arrears and bullet repayment at maturity;
 - (b) three variable rate Term loans for a total overall amount of €500 million, two of which having a duration of 14 months and one having a duration of 3 years, provided by three of the 11 banks participating in the pool and with a spread of approximately 0.3% over the 1, 3 and 6-month Euribor (at the discretion of the borrower), with floor on the Euribor equal to zero, with payment of interest in arrears and bullet repayment;
 - (c) two revolving-type variable rate credit lines provided by the same pool of banks for a committed amount equal to €600 million and €500 million respectively, with a duration of three and five years, respectively, and with a spread of approximately 0.5% over the 1 or 2 week, or 1, 3 or 6-month Euribor (at the discretion of the borrower), with floor on the Euribor equal to zero, for the amount utilised, including usage fees, with payment of interest in arrears and non-usage fees equal to 35% of the spread;
- (ii) entered into a deed of assumption with Snam, with EIB's acceptance, finalised on 26 October 2016, effective from the Demerger Effective Date, with respect to two loans borrowed by the Demerged Company from EIB for an amount of €424 million and with a spread of approximately 0.7% over the 6-month Euribor for an average residual duration of approximately 18 years, and intended to finance Italgas Reti projects.

The two new credit lines, together with the loans issued by EIB following the assumption, will have at the Demerger Effective Date, an average total cost of approximately 0.5% for an average residual duration of approximately 2 years.

It should be noted that clauses providing for cross-default with companies not belonging to the Italgas Group are not provided for.

With regard to the assumption of the debt by the EIB, the EIB has agreed to this and it was formalised in a deed of assumption on 26 October 2016. This deed is conditional upon the admission to listing of the Italgas shares on the MTA.

In line with that which is set out in the EIB financing for the companies in the sector of the distribution of natural gas, the contracts provide that, in the event of a significant decrease of the EBITDA, deriving from the loss of concessions, the companies must notify the EIB and there will be a subsequent consultation, at the end of which the early repayment of the financing may be requested.

In the case that, further to the admission to listing of the Italgas shares on the MTA, the financial institutions which entered into the above-mentioned loan agreements with Italgas do not comply with their obligations

RISK FACTORS

thereunder, the Italgas Group will not have sufficient liquidity to repay the intercompany financing and the Vendor Loan. In such a case:

- (i) in the event that the Italgas Group managed to find the financing sources necessary to repay the intercompany loans and the Vendor Loan at worse economic conditions than those underlying the facility agreements entered into on 26 October 2016, this would lead to an increase in costs that may significantly affect the Italgas Group's revenues;
- (ii) in the event that the Italgas Group did not manage to find other financing sources to repay the intercompany loans and the Vendor Loan and did not manage to promptly identify actions aimed at finding alternative financing sources, adequate to allow to be financially independent from the Snam Group, this would cause financial tension on the Italgas Group which may put the carrying out of the business at risk.

Lastly, if the resources resulting from the above-mentioned financial instruments are available to use, the debt of the Italgas Group would be entirely composed of variable rate lines of credit. In that case, as the financing instruments described above are not hedged against interest rate risk, the increase in interest rates could have negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In this regard, since no rate-hedging instruments are currently envisioned, the Issuer's objective is to maintain a debt ratio between the fixed and floating rates that minimises the risk of an increase in interest rates. It is expected that, as a consequence of the completion of the bond issuance programme, this consists of a composition of the debt between a fixed and variable rate where 2/3 is at a fixed rate and 1/3 at a variable rate.

The estimated net financial debt as at 31 December 2016 of Italgas Group amounts to €3.7 billion. The evolution of the net financial debt compared with 31 December 2015 pro-forma and at 30 June 2016 pro-forma is shown below:

(in Euro million)	31 December 2015 (pro-forma)	30 June 2016 (pro-forma)	31 December 2016 (estimate)
Cash and cash equivalents	(2)	(1)	-
Short-term financial liabilities	2,300	2,300	2,300
Long-term financial liabilities	1,184	1,084	1,386*
Total	3,482	3,383	3,686

* The difference between the pro-forma information at 30.06.2016 and 31.12.2016 is mainly due to the distribution to Snam, during the month of July 2016, of the dividend amounting to €274 million pursuant to the 2015 profit. The evolution of the net financial debt of Italgas Reti Group for the financial years 2013, 2014, 2015 and as at 30 June 2016 is shown below:

(in Euro million)	31 December 2013	31 December 2014	31 December 2015	30 June 2016
Cash and cash equivalents		(47)	(2)	(1)
Short-term financial liabilities	339	494	409	308
Long-term financial liabilities	1,325	1,325	1,441	1,434
Total net financial indebtedness of the Italgas Reti Group	1,664	1,772	1,848	1,741
Pro-forma adjustments	n.a.	n.a.	1,634	1,642
Total pro-forma net financial indebtedness	n.a.	n.a.	3,482	3,383

RISK FACTORS

The net financial debt of Italgas Reti Group as at 31 December 2015 and as at 30 June 2016 amounts, respectively, to €1,848 million and €1,741 million. The pro-forma adjustments, amounting to €1,634 million and €1,642 million, respectively, are shown below.

The pro-forma adjustments of the financial position as at 31 December 2015 (€1,634 million) relate to the effects resulting (i) from the sale and purchase of 38.87% of the stake held by Snam in Italgas Reti (€1,503 million), (ii) from the estimated adjustment to the market value of the financial debt outstanding as at 31 December 2015 attributed to Italgas Group (€116 million); (iii) from the disbursement incurred against the estimated upfront fees related to the refinancing on the market of Italgas Group for €8 million; and (iv) from the incurrence of additional costs directly attributable to the Transaction, amounting to €7 million.

The pro-forma adjustments of the financial position as at 30 June 2016 (€1,642 million) relate to the effects resulting (i) from the sale and purchase of 38.87% of the stake held by Snam in Italgas Reti (€1,503 million) (ii) from the estimated adjustment to the market value of the financial debt outstanding as at 30 June 2016 attributed to Italgas Group (€124 million); (iii) from the disbursement incurred against the estimated upfront fees related to the refinancing on the market of Italgas Group for €8 million; (iv) from the incurrence of additional costs directly attributable to the Transaction, amounting to €7 million.

The final data relating to the allocation of the Italgas Reti Group financial liabilities between short term and long term are related to the financial structure of the Group before the Transaction, by virtue of the characteristics of the finance model and the existing loans for the Snam Group before the Demerger.

For more information, see the following Chapter 3, Paragraph 3.7.2, of the Information Document.

1.1.5 Risks associated with the debt of the Italgas Group following the Transaction

The future state of the Italgas Group will depend on, *inter alia*, its ability to independently meet its debt requirements in terms of cash loans and endorsement loans (replacing loans procured by the Demerged Company before the completion of the Transaction). This will may happen by means of:

- cash flows from operating activities and available cash and cash equivalents;
- finding, renewing or renegotiating bank credit lines or other financing sources;
- placement of its own debt securities on national and international markets.

With regard to this last point, on 18 October 2016 the Italgas Board of Administration ruled on the approval of the EMTN programme and authorised the issuance of one or more non-convertible bonds to be issued within the one-year period starting from 31 October 2016 for a maximum overall amount of €2.8 billion. The Issuer has considered executing more bond issues in the financial year 2017 for a total of €2.3 billion (assuming that the board of directors renews the authorization to the bond issuance beyond 31 October 2017), in order to repay the Bridge to Bond loan. Therefore, at the end of these issues, the medium-long term portion of debt will rise from approximately 38% to a value close to 100%.

Liquidity/refinancing risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Issuer may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it

RISK FACTORS

cannot meet its payment commitments. This may affect profit or loss should the Issuer be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern. In order to mitigate this risk and to maintain a level of liquidity in line with what is required to maintain the rating, the Issuer signed certain facility agreements in excess of the financial needs foreseen at the time of the Demerger. Such exceeding value (equal to €736 million) may be used by the Issuer to deal with possible temporary liquidity needs, if the assumptions underlying the forecast of the Italgas Group's net requirement in the 12-month period following the Information Document Date are no longer correct and, as a result, the actual financial requirement is higher than the estimated requirement.

These facility agreements do not envision any particular use restrictions except, for the following lines:

- (i) Two revolving-type variable rate credit lines provided by the abovementioned pool of banks for a committed amount equal to €600 million and €500 million respectively, and with a duration of three and five years, respectively, and with a spread of approximately 0.5% over the Euribor, including usage fees, for the amount used: it is not possible to use the five-year revolving line until the three-year line has been exhausted;
- (ii) Bridge to Bond variable rate financing provided by a pool of 11 banks for a committed amount equal to €2.3 billion with a duration of 12 months, renewable, at the exclusive option of the borrower, twice for an additional six months and with a spread of approximately 0.3% over the Euribor and three variable rate Term loans, two of which have a duration of 14 months and one that has a duration of three years for an overall amount equal to €500 million provided by three of the 11 banks participating in the pool and with a spread of approximately 0.3% over the Euribor: undertaking to use the relevant facility only to repay the existing indebtedness.

The Issuer aims to implement a financial structure based on the following principles and in line with the regulatory context in which it will operate:

- (i) Debt/RAB (Regulatory Asset Base) in line with the metrics involved in the rating assigned to the Issuer;
- (ii) short and medium-term debt/and banking credit firmly offered/used banking credit which allows for a solid liquidity profile to be maintained, both in operating terms and for rating purposes;
- (iii) fixed rate/variable rate debt so as to minimise the risk of raising interest rates.

Should these objectives not be met, this may be due to the difficulty in accessing the banking and bond market, in maintaining adequate level of liquidity and adequate financial efficiency (in the Issuer's opinion) and, therefore, could also result in a possible downgrade in the Issuer's rating.

RISK FACTORS

In particular, with regard to the first of the measures cited above, the dynamics of the ratio between the net financial debt and RAB of the Italgas Reti Group in the three-year period 2013-2015 and the pro-forma value of the Italgas Group at 31 December 2015 are shown below.

Net financial debt/ RAB ¹⁴	31 December 2013	31 December 2014	31 December 2015
Italgas Reti Group	31%	33%	33%
Italgas Pro-forma Group	-	-	59%

For further information on the ratio between the net financial debt and RAB, see below in Chapter 5, Paragraph 5.3 of the Information Document.

If the Issuer and its parent companies are not capable of handling their own debt following the Dermerger, there may be significant consequences for the assets and balance sheet, income statement and financial position of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.7.2. of the Information Document.

1.1.6 Risks associated with insufficient working capital

Pursuant to (EC) Regulation 809/2004 and the definition of working capital (the means through which the Italgas Group obtains the necessary liquid resources to satisfy its due obligations) reported in the document ESMA/2013/319, at the Information Document Date, the Italgas Group does not have sufficient working capital to meet its requirements for the 12 months following the Information Document Date.

The net working capital deficit (calculated as the difference between current assets and current liabilities) at 30 September 2016 is equal to -€2,121 million (-€2,093 million at 30 June 2016 based on the pro-forma data at that date).

The Issuer estimates that the net financial requirement of the Group for the 12 months following the Information Document Date will be -€2,359 million, calculated as follows:

- (i) Initial Net Working Capital -€2,121 million;
- (ii) + net Cash Flow from operations equal to €451 million;
- (iii) – financial requirements for investments and capital management of €689 million (of which €412 million organic technical investments, €120 million technical and financial investments generated by tenders and dividends for € 157 million).

The Issuer intends to finance the net overall requirement indicated above by means of the extension, where necessary, of the Bridge to Bond and by means of bond issues totalling €2,300 million expected during 2017 (which will repay the Bridge to Bond) and for €59 million using lines of credit provided by the banking system

¹⁴ Calculated using the equity RAB of the affiliates and the adjustments on the debt (for example the fund for employee benefits).

RISK FACTORS

as part of the overall financing package of €3.9 billion and in excess (for an amount of approximately €736 million) considering the portion utilised as at the Demerger Effective Date.

Furthermore, in the event of a failure to (i) realise the bond issuance programme within a 12-month period and (ii) extend the term of the Bridge to Bond for an additional 12-month period (as provided for in the relevant contract), the Issuer – not being in a position to resort to other financing instruments of the refinancing package since such instruments have already been utilised – will need to consolidate such debt portion (equal to €2,300 million) in the mid-term, carrying out further actions (including, without being limited to, requesting new mid-term bank credit lines or other extraordinary transactions such as the sale of assets).

For further information, please see Chapter 2, Paragraph 2.4.1, of the Information Document.

1.1.7 Risks associated with the execution of Italgas's strategic plan

On 5 September 2016, the Board of Directors of Italgas approved the strategic plan defining the strategic guidelines and the targets of the Italgas Group for a period of 5 years, from 2016 to 2020. As a result of the Transaction, and therefore the separation of Italgas Reti from the Snam Group, the strategic plan of the Italgas Group (the “Italgas Strategic Plan”) was submitted to the Board of Directors of Italgas. The Italgas Strategic Plan contains, and was drawn up on the basis of, hypotheses and estimates related to future developments and events that could affect Italgas Reti's operating sector, such as estimates concerning the demand for natural gas in Italy in the medium-to-long term or changes to the applicable regulations, or the timetable for future tender processes for gas distribution concessions in the various minimum geographical areas.

On 18 October 2016, the Italgas Board of Administration confirmed the validity of the Italgas Strategic Plan also with respect to the operational cost savings expected during the plan for a total amount of €27 million and the dividends to be distributed by the Issuer.

The Italgas Strategic Plan is the result of a simulation process forecasting the economic, capital, and financial parameters for the Italgas Group and was constructed on the basis of actual data as of 31 December 2015 from the Italgas Reti Group and representing the perimeter of the Italgas Group in pro-forma terms, starting from 1 January 2016, the effects of the Transaction, the liquidation of the existing financial relationships between Snam and the Italgas Group and the consequential autonomous refinancing on the market of the Italgas Group as of 1 November 2016.

The Italgas Strategic Plan provides for objectives identified on the basis of substantial continuity in the existing regulatory environment and of the unfolding of the effects of management actions (the “Forecast Data”).

The Forecast Data is based on assumptions as to the occurrence of a set of future events and actions that include, among other things, general and hypothetical assumptions concerning future events – subject to the risks and uncertainties that characterise the current macroeconomic environment – actions that will not necessarily take place and events or other factors that may have an impact on the performance of the major capital and economic figures of the Italgas Group, and which the Directors and the management of Italgas cannot influence or may only be able to do so partially (in combination, the “Hypothetical Assumptions”).

RISK FACTORS

In particular, these Hypothetical Assumptions envision the following, among other things:

- (i) The successful completion of all of the stages of the Transaction and the admission to trading on the MTA, organised and managed by Borsa Italiana, of the Italgas shares;
- (ii) The success of the transaction for the autonomous refinancing of the Italgas Group on the market, including its planned subsequent listed bond issues;
- (iii) The effectiveness of the timetable of future tenders for the awarding of the gas distribution service in the various ATEMs envisioned by management of Italgas. Such timetable provides for completion of the tender processes by 2021;
- (iv) Fulfilment of the success rate envisioned by the management of Italgas in relation to future tenders for the awarding of the gas distribution service in the various ATEMs where the Italgas Group plans to participate;
- (v) The representative character of the RAB (Regulatory Asset Base) value as an estimator of the Reimbursement Value recognised for outgoing operators within the scope of future tenders for the awarding of the gas distribution service in the various ATEMs for each of the concessions in the Italgas Reti scopes of interest in the plan period;
- (vi) Realisation of the estimates concerning the demand for natural gas in Italy on the medium-long term or changes in the applicable rules;
- (vii) The carrying out of transactions to refinance the indebtedness for a total amount equal to €800 million.

Furthermore, the assumptions relating to changes in the macroeconomic and regulatory environment and to the dynamics of the benchmark rates underlying the Italgas Strategic Plan were formulated in working out the currently available forecasts. In particular, it is noted that the Forecast Data was developed assuming an average annual inflation rate of about 1% in the plan period, for the purposes of updating the value of RAB. It is also noted that the Italgas Strategic Plan was developed by referencing the current competitive structure.

For the period of 2016-2020 Italgas has scheduled technical investments totalling about 2 billion Euro. Of that, about 0.4 billion Euro is planned for 2016 (70% on the network and 30% in measuring activity) and the remaining approximately 1.6 billion Euro in the 2017-2020 period (57% on the network and 43% in measuring activity). During financial year 2015, Italgas made technical investments of 393 million Euro, of which about 30% for measuring activity. In the third quarter of 2016, the Italgas Reti Group reported income of approximately €265 million and an EBITDA margin of around 62%. In the nine months from 1 January 2016 to 30 September 2016, the Italgas Reti Group registered a management and profit performance in line with the estimate for 2016 contained in the Italgas Strategic Plan which estimates income greater than 1 billion Euro, an EBITDA margin of around 65% and an EBIT/RAB greater than 6%. With regard to the 2015 financial year, the Italgas Strategic Plan in 2016 foresees a decline in the operating result of the Italgas Group which can be attributed to a reduction of income due to the review of the regulatory rate of remuneration applicable as of 1 January 2016 together with an increase in costs attributable to (i) activities linked to the replacement plan and the management of remotely read meters, (ii) the increase in labour costs as a consequence of the adoption of

RISK FACTORS

a new operational and organisational model, (iii) the change in the price of the energy efficiency securities and (iv) the network verification plan.

The Italgas Strategic Plan assumes the existence of conditions for market share growth from the current approximately 30% to almost 40% at the end of the Local Tender Processes in terms of the number of Redelivery Points (RP) of the consolidated perimeter of the Italgas Group, corresponding to more than 8 million RPs managed, compared to about 6.5 million now existing. At 2020, it is estimated that a market share of 35%, equal to 7.5 million redelivery points, will be reached. The above reflects a hypothesis where Italgas Reti is awarded around 80% of the tenders in which it will participate.

The technical investments plan for the current scope of operations, in conjunction with the planned program of acquisition of new concessions, will enable the estimation of a consolidated RAB growth target of about 5.7 billion Euro at the end of 2015 and more than 7 billion Euro at the end of the Local Tender Processes (€6.6 billion at 2020). Should the objectives indicated in the Italgas Strategic Plan not be met, the Issuer will continue with its own programme of organic investments and efficient operation of distribution and measuring activities.

If the events and circumstances hypothesised or relied upon by the Board of Directors when drawing up the strategic plan, including the evolution of the regulatory framework, fail to materialise, the future operations, cash flow and results of the Italgas Group may differ from those set out in the Italgas Strategic Plan; that could also have an impact on the ability of the Beneficiary Company to meet its payment obligations in accordance with the loan agreements in existence at the Effective Date of the Demerger and/or to comply with any covenants under the actual agreements.

Furthermore, the historical consolidated results, the historical financial and operating situation may not be indicative of future financial and operating performance. There can be no guarantee whatsoever that, in the future, Italgas Reti's profitability will remain at current levels, or that the regulatory system will not evolve in a manner that is unfavourable to the Italgas Group.

On 2 November 2016 the External Auditors issued the report on the Forecast Data for the Italgas Group, as reported in the Information Document in Chapter 5, Paragraph 5.4.

For further information, see below in Chapter 5, Paragraph 5.4 of the Information Document.

1.1.8 Risks associated with the Issuer's rating

On 29 June 2016, the Issuer obtained an expected public rating of BBB+ – stable outlook from Fitch and a provisional issuer rating of Baa1 – stable outlook from Moody's, which was in line with Snam's rating. The main factors underlying the rating assigned to the Issuer are (i) the low risk profile of the sector in which Italgas operates, where the regulatory context is stable and favourable and where results are not exposed to volumes of gas transported, (ii) the fact that the Issuer outperforms the sector average in operational terms, which will give Italgas a competitive advantage during the next round of tenders, and (iii) the Issuer's expected financial profile.

The ratings agencies issued these ratings on the assumption that the Transaction, as well as the subsequent refinancing of the Italgas Group's existing debt, would be carried out according to the terms and methods stipulated as at the Information Document date. The rating agencies will issue the definitive public rating on

RISK FACTORS

the condition that the Transaction and the refinancing are completed according to the terms and methods described in the Information Document. If this does not happen, there is a risk that the Issuer's rating will differ from the expected public rating and the provisional issuer rating, respectively issued by Fitch and Moody's.

The rating agencies review their ratings at least once a year, and it is therefore possible that in 2016 these agencies will issue a new rating for the Beneficiary Company. The timing of this opinion and its outcome cannot be predicted. In particular, Fitch and Moody's have indicated that the following events could lead to a downgrade in the Issuer's rating: (i) investments that are structurally greater than expected, (ii) a deterioration in operating performance as a result of the gas tender processes and (iii) a more aggressive dividend distribution policy than expected.

Furthermore, if the definitive rating assigned to the Issuer by Moody's corresponded to the provisional issuer rating (Baa1), the Issuer would be positioned a notch above the Italian sovereign rating. According to the methodology used by Moody's, a downgrade of one notch in Italy's current sovereign rating would probably result in a corresponding downgrade of one notch in the Issuer's rating.

The possibility of accessing the capital markets and other forms of financing and the associated costs depend, *inter alia*, on the rating assigned to the Issuer. Any downgrade in Snam's creditworthiness could limit the possibility of accessing the capital markets and increase the cost of raising funds and/or refinancing existing debt, with negative effects on the Italgas Group's balance sheet, results and cash flows.

For further information, please see Chapter 5, Paragraph 5.3 of the Information Document.

1.1.9 Regulatory risk

Italgas conducts its business in a gas sector that is regulated. The relevant directives and legal provisions issued by the European Union and the Italian government, the resolutions of the AEEGSI and, more generally, changes to the regulatory framework may have a significant impact on the Italgas' operations, results and financial stability.

Considering the specific nature of Italgas' business and the context in which it operates, changes to the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

With Resolution 573/2013/R/gas, as supplemented and amended by Resolution 367/2014/R/gas, the AEEGSI set the criteria for determining tariffs for gas distribution and metering services for the fourth regulatory period.

The regulatory period was set at six years, from 1 January 2014 to 31 December 2019, with a three-yearly review of targets for changing the annual productivity rate to be applied to the unitary costs recognised to cover the operating costs of distribution, metering and marketing services. The amounts for annual productivity rates will be updated by 30 November 2016, so that they can be applied as of 1 January 2017.

Future changes to European Union or Italian legislative policies, which may have unforeseeable effects on the relevant legislative framework and, therefore, on Italgas' operating activities and results, cannot be ruled out.

For further information, please see Chapter 3, Paragraph 3.1 of the Information Document.

RISK FACTORS

1.1.10 Risks associated with potential competition in the sectors in which Italgas operates

The Italgas Group, via Italgas Reti and its direct or indirect subsidiaries, is the leader in the natural gas distribution segment in Italy, with market share of 30% (or approximately 34% including investee companies) in 2015, in terms of the percentage of end-customers connected to the network (RP). As at the Information Document Date, the natural gas distribution market is fragmented. However, in recent years, it has undergone a process of restructuring and consolidation¹⁵. It is believed that, in the future, with the implementation of the Local Tender Processes for the allocation of the distribution service, this market consolidation process will continue, presenting the opportunity to exploit economies of scale and operational synergies.

If Italgas were unable to respond adequately to the activities carried out by its competitors, there could be negative effects on the Italgas Group's operations, results, balance sheet and cash flow¹⁶.

For further information, please see Chapter 3, Paragraph 3.1.9 of the Information Document.

1.1.11 Risk of interest rate changes and risks associated with inflation and deflation

Fluctuations in interest rates affect the market value of Snam's financial assets and liabilities and its net financial expense.

At the Demerger Effective Date, the Italgas Group's debt will be entirely made up of variable-rate lines of bank credit indexed to the Euribor.

Therefore, a rise in interest rates (Euribor) could have adverse effects on the Italgas Group's operations, results, balance sheet and cash flows. However, in view of the current market context, where Euribor rates are negative, the effects on shareholders' equity and net profit for the year of a hypothetical positive or negative change of 10% in interest rates would be negligible and, therefore, not significant. The Issuer's financial strategy does not currently include the use of interest rate hedging instruments; the Issuer aims to maintain, once up to speed, a ratio of fixed-rate to variable-rate debt that minimises the risk of interest rates rising, with a target breakdown of fixed-rate debt to variable-rate debt of approximately 2/3 to 1/3.

Changes in the prices of goods, equipment, materials and workforce could have an impact on Italgas' financial results. Any change caused by inflationary or deflationary processes could have a significant impact on the Italgas Group's results. In particular, a prolonged period of deflation or inflation that is lower than forecast could have negative effects, in the long term, on the RAB value and could therefore adversely affect the Italgas Group's operations, results, balance sheet and cash flows.

For further information, see Chapter 3, Paragraph 3.7 of the Information Document.

¹⁵ As the AEEGSI's figures confirm (see the 2015 Annual Report of 21 June 2016, Table 3.10, the number of operators decreased from 251 in 2009 to 227 in 2014 (there were more than 700 in 2000), in view of the Local Tender Processes. The number of operators is also expected to decrease substantially after these Local Tender Processes (Italgas estimates that the number could drop below 100).

¹⁶ The information in this section relating to market positioning in specific sectors was drawn from institutional sources, such as, in primis, the "Annual report on the state of services and the activity performed", AEEGSI, 31 March 2016 (published on 21 June 2016), internal elaborations of public data and the AGCM's Provision C11695 No. 23824 of 8 August 2012. For more information on the AGCM's Provision, see the sub-paragraph entitled "Governance of Italgas" in Chapter 2, Paragraph 2.1.1 "Description of companies participating in the Demerger".

RISK FACTORS*1.1.12 Risks associated with environmental protection and the restoration of polluted sites*

Italgas Reti and its subsidiaries are subject to reclamation obligations relating to certain sites that have been environmentally compromised by activities carried out there in the past, including the distillation of carbon for gas production; the removal and decommissioning of obsolete facilities and machinery; and the disposal of material containing asbestos.

At 30 September 2016, a provision for risks associated with reclamation of €138 million was made to cover all the costs and liabilities relating to the fulfilment of requirements set out in the current regulations. This represents the best reliable estimate at the reporting date.

Since 2001, the competent authorities have been notified of the risk provision made for each site, based on the amounts established from specific assessments made by engineering companies specialising in the sector. The amount of the provision is adjusted according to determinations, always certified by independent entities, that might emerge during the process of reclamation required by law. It is possible that, during the planning phases for reclamation, the assessment of the risks associated with the site to be reclaimed, and the estimated resources required to implement the relative action plan, will not be sufficient to cover all the costs and liabilities arising from the environmental restoration activities required by law.

The aforementioned provision for reclamation risks of €138 million does not include an amount of €7 million for the possible environmental costs associated with the property complex at Ostiense in Rome (the “Property Complex”), which is recorded separately under liabilities relating to assets held for sale. It should be noted that the Property Complex was subject to specific agreements - described below - as part of the sale by Eni to Snam of the entire share capital of Italgas Reti in 2009:

- Under the agreement to purchase the share capital of Italgas Reti signed on 12 February 2009 (the “Sale and Purchase Agreement”), Eni took on the commitment to purchase the Property Complex from Italgas Reti.
- On 30 June 2009, the parties signed a private deed to implement the Sale and Purchase Agreement.

The Sale and Purchase Agreement, as supplemented by the following agreements entered into by the parties, specifically provides for a commitment by Eni to purchase the Property Complex from Italgas Reti, and Eni’s right to receive from Snam, by way of adjustment of the price of Italgas Reti shares and together with the sale of the Property Complex, an amount equal to the difference between the appraised value of the Property Complex and its RAB value as at 31 December 2007, after the deduction of tax charges and the duly documented ancillary costs associated with the sale of the Property Complex to Eni. Moreover, the price adjustment mechanism for shares of Italgas Reti must also include the difference between the appraised value of environmental costs and the cost identified in provisions for environmental risks in Italgas Reti’s financial statements at 31 December 2008 relating to the Property Complex.

- On 24 October 2012, as part of the implementation of the above agreements, Snam and Eni signed a further agreement, under which they undertook to ensure that their respective subsidiaries, Italgas Reti

RISK FACTORS

and Eniservizi S.p.A. (“Eniservizi”), would sign a sale and purchase agreement for the Property Complex, preceded by a preliminary agreement.

- On 8 April 2014, Eniservizi and Italgas Reti signed the preliminary agreement for the sale of the Property Complex, which provided for a consideration of €21,972,391.00, equal to the difference between the appraised value of the Property Complex of 25 March 2009 (a value amounting to €59.9 million, as at the date of the appraisal) and the appraised value of the environmental costs of 19 October 2012 (a value amounting to €37.9 million, as at the date of the appraisal). The consideration is established as fixed and unchanging, regardless of the real extent of the reclamation that will be necessary on-site.

In accordance with the applicable accounting standards, the provision relating to the reclamation costs for the Property Complex was not adjusted.

As a result of the sale and purchase of the Ostiense Property Complex, Eniservizi (i) will be obliged to take over all environmental reclamation rights and obligations; (ii) cannot request a review of the purchase price; and (iii) shall release Italgas from liability for costs, damages, expenses or charges that it might sustain in relation to the execution of the reclamation or to its failed, incomplete or improper implementation.

In the event of failure to complete the sale and purchase of the Property Complex, and by virtue of the provisions in the Italgas Reti Sale and Purchase Agreement, Snam has the right to be indemnified by Eni for environmental liabilities in excess of the amount recorded in Italgas Reti’s financial statements as at 31 December 2008 and for the related events that occurred prior to 30 June 2009 (the date of transfer of Italgas Reti shares from Eni to Snam), within the contractual limits. It is also expected that Eni will reimburse Snam for any environmental liabilities incurred and documented by Italgas Reti after 31 December 2008, net of the corresponding tax effect.

At the same time as the Demerger, the rights and obligations pertaining to Snam in relation to the Property Complex shall be transferred to the Beneficiary Company.

It is possible, however, that if Italgas Reti and its subsidiaries were to incur costs exceeding the amounts budgeted for or established pursuant to the aforementioned agreements, there would be negative effects on the Italgas Group’s operations, balance sheet and cash flows.

For further information, please see Chapter 2, Paragraph 2.2.1 of this Information Document.

1.1.13 Operating risks. Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable service disruptions due to factors which are outside of the control of Italgas, such as accidents, breakdowns or malfunctioning of equipment or control systems; the underperformance of plants; and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond the control of Italgas. Such events could result in a reduction in revenue and could also cause significant damage to people, with potential compensation obligations. Although Italgas has taken out specific insurance policies to cover some of these

RISK FACTORS

risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Italgas ability to effectively develop its infrastructure is subject to many unforeseeable events linked to operating, economic, regulatory, authorisation and competition factors which are outside of its control. Italgas is therefore unable to guarantee that the projects to upgrade and extend its network will be started, be completed or lead to the expected benefits in terms of tariffs.

Additionally, the development projects may require greater investments or longer timeframes than those originally planned, affecting the Italgas Group's financial position and results.

Investment projects can be stopped or delayed because of difficulties in obtaining environmental and/or administrative authorisations, opposition raised by political groups or other organisations, or may be affected by changes in the price of equipment, materials and labour, or by changes in the political or regulatory context in the course of construction, or even by an inability to obtain financing at an acceptable interest rate. Such delays could have adverse effects on the operations, results and economic and financial position of the Italgas Group. Furthermore, changes in the prices of goods, equipment, materials and workforce could have an impact on the financial results of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.1 of the Information Document.

1.1.14 Risks associated with legal proceedings and disputes

Italgas is involved in civil, administrative and criminal proceedings and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements, given the provisions set aside in relation to the proceedings, pursuant to the Italgas policies.

At the Information Document Date total claims relating to legal disputes/proceedings involving the Issuer are approximately Euro 98 million.

With regard to litigation, it is noted that the total amount of the pertinent provision on 30 June 2016 is about 23 million Euro (20 million Euro on 31 December 2015).

If said judicial proceedings conclude unfavourably for Italgas and the provisions set aside are not sufficient to cover the losses resulting from the outcome of the legal proceedings under way, there could be negative effects on Italgas Group's operations, results, and financial position.

For further information, see below in Chapter 3, Paragraph 3.5 of the Information Document.

1.1.15 Legal and non-compliance risk

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations that Italgas must comply with for the activities that it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation. With regard to specific cases, the

RISK FACTORS

violation of regulations for the protection of workers' health and safety and of the environment, and the violation of anti-corruption rules, may also result in (potentially significant) sanctions against Snam based on the administrative responsibility of entities (Legislative Decree No. 231 of 8 June 2001).

For further information, see below in Chapter 3, Paragraphs 3.1 and 3.5 of the Information Document.

1.1.16 Risks associated with taxation

Any unfavourable change in the rate of income tax, other taxes or duties applicable to the Italgas Group could have negative effects on Italgas Group's operations, results and financial position.

Recently, companies operating in the natural gas transportation and distribution segments, as well as other companies in the energy sector, were subject to an additional tax on top of the corporate income tax (the "Robin Hood Tax"), which was later declared unlawful by the Constitutional Court in Ruling No. 10 of 11 February 2015.

This ruling effective date of the resolution is provides that 12 February 2015, the day after the publication in the Official Gazette. The application of the general principle of retroactive effectiveness of rulings which declare that something is unconstitutional, as the case in question, would have resulted in a serious violation of the constitutional principle of a balanced budget.

Through circular No.18/E of 28 April 2015, the Revenue Agency provided several clarifications with regard to the consequences of the declaration of unlawfulness, pointing out that it could not affect tax obligations that relate to tax periods ending before 12 February 2015 and, as a result, parties with tax periods that end prior to 12 February 2015 were obliged to pay the additional IRES for the 2014 tax period, while the additional IRES was no longer applicable from the 2015 tax period.

With reference to 2014, the last year of application, the applicable additional IRES was equal to Euro 30,770,321.0 for Italgas Reti and Euro 2,925,901.59 for Napoletanagas.

From 2015, the additional IRES was no longer paid, as it was no longer applicable.

Article 1, paragraphs 61-64, of Law No. 208 of 28 December 2015 (2016 Stability Law), made provision for the reduction of the IRES rate, from 27.5% to 24% from 1 January 2017.

The provision in question resulted in the recalculation of the amount of assets and liabilities for prepaid and deferred taxes at 31 December 2015 and will result in a reduction of IRES with effect on the tax due for the years 2017 onwards.

Italgas Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities. On 31 May 2016, the Guardia di Finanza, Turin Tax Police Unit, launched an audit of Italgas Reti with regard to direct taxes, IRAP, VAT and other indirect taxes for the period from 1 January 2014 to 31 May 2016. The audit activity falls within the Guardia di Finanza action plan in the year 2016 with respect to entities of this size and is in line with its general functions. Although at the Information Document Date no findings or objections have emerged from the inspection activities currently in progress with regard to the

RISK FACTORS

operations of Italgas Reti, any findings or objections in this regard could have significant negative effects on the assets and on the balance sheet, income statement and financial position of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.5 of the Information Document.

1.1.17 Risks associated with the plan for the replacement of traditional meters with smart meters

The AEEGSI made remote meter reading compulsory for operators back in 2008 through Resolution 155/2008, justifying it through the advantages that this technology brings, especially to end users (e.g. invoicing based on actual consumption, greater awareness of consumption, constant monitoring of the operation of metering units). The initial objective therefore involved the replacement, by 2016, of 80% of traditional meters with smart meters. Through subsequent resolutions 28/12 and 631/2013, the AEEGSI altered the plan for the replacement of smart meters for the mass market, bringing the replacement target down to 60% in 2018 and updating the interim targets for the period 2014 – 2017.

The replacement plan was updated once again through the recent AEEGSI resolution 554/2015 which revised the meter replacement plan further bringing it down to 50% in 2018. Italgas therefore expects to invest approximately €800 million until 2020 installing around 4.7 million smart meters. The investment plan for the installation of smart meters will be financed both by the generation of cash from operations and by lines of credit subscribed by the Italgas Group and ones available.

It is not possible to rule out that the implementation of the meter replacement plan could result in an increase in management costs for the new smart meters and expenses related to the decommissioning of the traditional meters replaced, which is higher than previously estimated by the Beneficiary Company.

For further information, see below in Chapter 3, Paragraph 3.1.8 of the Information Document.

1.1.18 Insurance risk

At the Information Document Date, insurance policies are in force for the Italgas Reti Group that cover risks including Property, Civil Liability, Auto Liability, Life, Directors' and Officers' Liability, Accidents and Theft.

At the Demerger Effective Date, new insurance policies will have to be entered into for the Italgas Group or else some existing policies will have to be amended. In particular:

- Property policy: at the Demerger Effective Date, the existing policy with the captive insurance company of the Snam Group (Gasrule DAC) will be replaced by a new policy with the insurance companies that currently serve as the reinsurers of Gasrule DAC, which will issue new insurance policies under the same conditions as those which are expiring, for one year until November 2017.
- Third Party Liability Policy: at the Demerger Effective Date the term of the current insurance policy (31 May 2017) will be extended for an additional six months until November 2017, at the same conditions, at the same time as the contractual definition of a maximum liability cover specifically dedicated to the Italgas Group.

RISK FACTORS

- Directors and Officers Policy: the existing insurance policy at the Information Document Date will be maintained until 30 November 2016. From 1 December 2016, Italgas will have separate cover distinct from the Snam Group.
- Accidents: the existing insurance policy at the Information Document Date will remain in force until 31 December 2016. From 1 January 2017, Italgas will have separate cover distinct from the Snam Group.
- RC Auto: no changes need to be made to the existing insurance cover at the Information Document Date.

It cannot be ruled out that the Italgas Group might incur less favourable economic terms and conditions than those currently in effect for the Italgas Reti Group.

For further information, see below in Chapter 3, Paragraph 3.7.1, of the Information Document.

1.1.19 Risks associated with the continuity of Italgas Group activities and related costs

Since 31 October 2016, Snam and Snam Rete Gas, through their functions and based on tariffs defined according to the costs incurred, have been providing services of various natures (such as: planning, administration, finance, tax, health and safety, I.T., personnel and organisation, regulation, industrial relations and communication, security, general and property services, enterprise risk management, internal audit, supply chain, legal and corporate affairs and compliance) to Snam subsidiaries/investee companies, including Italgas Reti.

The costs incurred by the companies that belong to the Italgas Group for such services in 2015 were equal to approximately €68.5 million, which represent approximately 15% of the total operating costs of the Italgas Group, net of the portion of the cost related to investments.

In turn, until 31 October 2016, Italgas Reti has provided services to its subsidiaries and investee companies, while retaining the liability and obligations, including of an economic nature, arising from the service contracts with Snam or with Snam Group companies.

In any case, Snam's provision of services to the Italgas Group relating to some activities for which a period of temporary support (as described below) will be granted by Snam in favour of the Italgas Group.

On 18 October 2016, the Issuer and Italgas Reti signed three service agreements with Snam regarding the subjects described below, effective as of 1 November 2016. The effectiveness of the service agreements is resolutely subject to, pursuant to and for the purposes of Article 1353 of the Italian Civil Code, the failure to complete the Transaction.

These agreements govern the provision of various services and with different durations. Snam's support will be limited to providing support and working alongside Italgas with respect to operating/executive activities on technical-special matters and will be for a limited period of time, as the purpose of Snam's support is help Italgas prepare for totally independent management.

RISK FACTORS

The services that are expected to continue until 30 April 2017 mainly involve support for human resources activities (planning, selection and development of human resources and labour matters), internal communication, regulatory matters investor relations methodology, Enterprise Risk Management, planning and monitoring, accounting principles, methodologies relating to Law No. 262 of 28 December 2005 on the protection of savings and regulation of financial markets, institutional relations, external communication and sustainability.

The services that are expected to continue until 31 July 2017 mainly involve accounting and collection and payment services; accrual accounting; credit management; security services; tax and tariff advice; database management; legal services.

The services that are expected to continue until 31 December 2017 are personnel administration; welfare and personnel services; IT services.

Lastly, there are plans for services relating to IT infrastructures, telecommunication and IT security networks until 31 December 2019.

The service agreements also include: (i) the right to agree to the provision of further services, on a non-continuous basis, (ii) the right to review the provision of services if deemed no longer necessary, (iii) the identification of minimum levels of quality of service, (iv) the possibility for the parties to renew the agreement through a signed contract, and (v) the possibility of withdrawal from the contract.

In consideration of the temporary nature of the supply of the cited services by Snam, the Italgas Group shall have to: (i) equip itself with appropriate internal structures that will be able to ensure the performance of the activities provided as a service by Snam; and (ii) evaluate the alternative of the stipulation of appropriate agreements with third-party companies for certain corporate/staff services, such as services connected to training activity for personnel, management of real estate, communication and services related to activities of the Issuer as a listed entity. In the absence of suitable internal structures and agreements with third-party companies, there may be negative effects on the Italgas Group's operations, results and economic and financial position.

The activities carried out by Snam under the scope of the service contract for the Italgas Group companies will be valued on the basis of the costs incurred.

The Issuer cannot exclude the existence of risks resulting from omissions, errors, delays or interruptions by the provider in carrying out the individual activities, which could result in the discontinuity of the service offered with regard to the contractually-agreed levels.

It is also not possible to rule out that: (i) also taking into account the valuation of the services provided (based on cost of services alone) the continuation by the Issuer of the outsourcing policy for these services with regard to Snam could result in a possible reduction of the managerial autonomy of the Issuer in carrying out the activities in the service agreements, which could lead to negative effects, potentially significant ones, on the balance sheet, income statement and financial situation of the Italgas Group; and (ii) where the service agreements cease to exist, the Issuer may not be capable of replacing them promptly and/or at the same

RISK FACTORS

conditions, which could lead to negative effects, potentially significant ones, on the balance sheet, income statement and financial situation of the Italgas Group.

For further information on the service agreements, see below in Chapter 3, Paragraph 3.7.1, of the Information Document.

1.1.20 Risks associated with the subjection of Italgas Reti to judicial control pursuant to Proceeding No. 67/2014 RMP

On 11 July 2014 the Court of Palermo notified Italgas Reti of the asset protection preventive measure of the Judicial Administration, pursuant to Art. 34, paragraph 2 of Legislative Decree No. 159/2011 “Anti-mafia code and prevention measures, as well as new measures relating to anti-mafia documentation in accordance with Artt. 1 and 2 of Law No. 136 of 13 August 2010”. Pursuant to law, the measure was aimed at protecting the assets of Italgas Reti from any infiltration and/or collusion by certain Italgas suppliers subject to preventive measures or criminal proceedings for specific crimes, as indicated in Article 34, paragraph 2 of Legislative Decree 159/2011. As a result of this provision, the powers of administration for the economic and business activities and assets of Italgas Reti have been assigned to a collective administrative body comprising four Palermo court-appointed members.

For the duration of the measure, which was temporary with a maximum duration of six months and an option to extend it by another six months to a maximum of 12 months, the Italgas Reti Board of Directors was suspended. Snam retained full ownership of the entire share capital of Italgas Reti with the related rights.

Based on the outcomes of the checks carried out and Snam Group’s active collaboration, on 29 June 2015, the Court of Palermo ordered that Italgas Reti be restored to its former status.

As a result of the revocation of the judicial administration order by the Court of Palermo and the confirmation of the Board of Directors at the Shareholders’ Meeting, Italgas Reti has put and is putting in place Measures to Implement the Organisational and Procedural Plan as defined by the Judicial Administration as well as monitoring activities. For more information on the Implementation Measures Plan put in place by Italgas Reti and the outcomes of the monitoring activities, see below in Chapter 3, Paragraph 3.5 of the Information Document.

In the context of the revocation of the judicial administration order, Italgas Reti was asked to comply with the obligation to provide the competent authorities with the information required pursuant to Art. 34, paragraph 8 of Legislative Decree No. 159/2011 (Judicial Control)¹⁷ in relation to significant transactions (contracts or expenditure over €300,000). Italgas Reti has appealed before the Palermo Court of Appeal against the provision of such information. Italgas also informs the competent authorities of the results of the periodic reports of the Watch Structure.

On 25 July 2016 the Palermo Court of Appeal issued a decree revoking the “Judicial Control” measure with regard to Italgas Reti, declaring the implementation of the consequent provisions terminated. The decree of the

¹⁷ In this respect, it is noted that the Judicial Control measure consisted of an *ex-post* monitoring activity, and therefore operations that had been carried out were valid and effective and there were no limitations on the duties and powers of the Board of Directors of Italgas Reti.

RISK FACTORS

Palermo Court of Appeal has become final and therefore the disclosure obligations relating to Judicial Control have ceased.

With regard to the above, in connection with the network checks carried out in 2014 pursuant to the preventative measure of judicial administration, Italgas Reti has, in relation to the 2015 Financial Statements, set aside €20 million, mainly for the estimated costs of potentially adapting facilities in the distribution sector. This provision at 30 June 2016 was employed to the extent of €198,125 for work performed. Given that it is planned that a network check plan initiated in December 2015 will be implemented and it will concern 5% of the network, including municipalities where the aforementioned checks during the economic prevention measure of the judicial administration, the Italgas Group may incur additional, unplanned expenditures, with possible negative effects on the results, cash flow and balance sheet of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.5 of the Information Document.

1.1.21 Risks associated with the limited number of Shippers

Italgas provides its services to the users of distribution (*i.e.*, companies selling gas to final users) who purchase gas from Shippers (as defined in the Glossary) or Traders (as defined in the Glossary) and who, in turn, sell to other Traders or, usually, to end customers, namely those who consume the gas for their own use and are connected to the distribution network at the Redelivery Points (RPs), each availed of meters for the measurement of the gas redelivered.

Users of distribution access local natural gas distribution infrastructures through the services provided by the Italgas Group, pursuant to the Network Code for distribution approved by the AEEGSI.

The existing regulatory framework gives distribution users who are in possession of the necessary requirements the right to access the above-mentioned distribution infrastructures. This right is accompanied by symmetrical obligation of the infrastructure operators to guarantee access on the basis of the terms and conditions defined by the Network Code for distribution approved by the AEEGSI.

The main clients of Italgas Reti are investment grade. Any non compliance by distribution users, in particular Eni, Enel Energia S.p.A., Edison S.p.A. e Gas Natural Vendita Italia S.p.A. where contracts have generated approximately 80% of the core business revenue of Italgas in the 2015 financial year, or a delay in complying with their obligations, could have negative effects on the operations, results, and economic and financial position of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.1 of the Information Document.

1.1.22 Risks associated with political, social and economic instability in natural gas supplier countries

A large proportion of the natural gas transported through the Italian national transportation network is imported from or passes through Countries that are currently politically, socially or economically unstable, and/or which may also suffer instability in the future. Importing natural gas from these countries, or transit through them, is subject to risks inherent in to these countries including: high inflation; volatile exchange rates; inadequate legislation on insolvency and creditor protection; social tensions; limits on investment and the import and export of goods; increases in taxes and excises; forced renegotiation of contracts; nationalisation or

RISK FACTORS

renationalisation of assets; political unrest; changes in trade policies; monetary restrictions; and losses or damage caused by disorder and unrest.

If a Shipper using the distribution service via Italgas networks cannot procure natural gas from the aforementioned Countries because of said adverse conditions, or in any way suffers from said adverse conditions, or is consequently unable to fulfil contractual obligations towards Italgas, this could have negative effects on Italgas Group's operations, results, and financial position.

For further information, see below in Chapter 3, Paragraph 3.1.9 of the Information Document.

1.1.23 Risks associated with the energy efficiency certificates market

White certificates, also known as “Energy Efficiency Certificates” (EECs), are negotiable securities that certify the achievement of energy savings in end uses of energy through projects and work increasing energy efficiency evaluated and approved by the Energy Services Operator (GSE).

The white certificate mechanism was established by the Ministry of Productive Activities, in consultation with the Ministry of the Environment and Protection of the Land through the Ministerial Decree of 20 July 2004, subsequently amended and supplemented by the Ministerial Decree of 21 December 2007 and the Ministerial Decree of 28 December 2012.

In particular, the latter defines the national quantitative targets to increase energy efficiency, expressed as TOE (tonnes of oil equivalent), for the 2013-2016 four-year period.

Companies that distribute gas and/or electrical energy with a number of users above 50,000 units are defined as covered entities and annually (from 1 June to 31 May of the following year) have a target defined in terms of TOE to be achieved.

The target quota that must be achieved by an individual distribution company is determined by the ratio between the quantity of natural gas and/or electrical energy distributed to its end customers, as self-certified, and the quantity of natural gas and/or electrical energy distributed throughout the territory of the nation as determined and reported annually by the AEEGSI.

In this context Italgas represents the number two covered entity, with applicability higher than 10% over the national target (9.5 million TOE for the 2016 obligation year).

Covered entities can achieve the targets assigned by directly performing work for energy savings or, alternatively, acquiring TOEs on the Organised GME Market or through bilateral agreements with qualified operators.

TOEs are issued and managed by the Energy Markets Operator (“GME”) in compliance with the provisions of the Ministerial Decree of 28 December 2012.

To enable covered entities to recover all or part of the costs incurred for the procurement of TOEs, the establishment of a specific component of the electricity and/or gas distribution tariff has been envisioned.

RISK FACTORS

The AEEGSI, by Resolution of 23 January 2014 (13/2014/R/EFR), has decided on the mechanism for calculating the tariff contribution to cover the costs incurred by distributors subject to the obligations involving energy efficiency certificates; this contribution is updated annually according to the weighted average prices of trades made on the organised market in the obligation year in reference.

The disbursement of the total annual tariff contribution pertaining to each covered distributor is made by the Energy and Environmental Services Fund (“CSEA”).

The tariff contribution paid could be lower than the average purchase price of the securities. Specifically, with regard to the obligation to purchase approximately 970,000 TEEs for 2015, the contribution made by the CSEA in 2016 did not allow Italgas Reti to fully recover the expense incurred for the purchase resulting in a negative average margin of €9 for each TEE purchased. Any eventual negative difference between the average price for acquiring certificates and the tariff contribution recognised, and the resulting economic loss, may have negative effects on the operations and on the results and economic and financial position of the Italgas Group.

The new ministerial decree to govern the mechanism for white certificates for the 2017-2020 four-year period identifying the new national energy savings targets and resulting obligations on covered entities is presently awaited.

1.1.24 Risks associated with environmental, health and safety protection

The activities that the Italgas Group engages in present certain hazard profiles. There is also a possibility that the performance of such activities will cause harm to third parties and/or Italgas employees. Italgas is subject to national and European rules and regulations on environmental, health and safety protection, to safeguard both third parties and Italgas Group employees.

As part of its activities, Italgas uses hazardous or potentially hazardous products. Furthermore, some of the activities it carries out that are not currently considered harmful, or whose hazardous nature has not yet been proven, could be considered harmful in the future as a result of amendments of the regulatory framework. Italgas and the sites where it operates are subject to rules and regulations (including town planning regulations) on pollution, environmental protection and the use and disposal of hazardous substances and waste. These rules and regulations expose Italgas to costs and liabilities related to its activities and facilities, including those relating to sites used for the disposal of waste or the decommissioning of facilities. The costs and expenses generated by environmental restoration obligations that Italgas may incur are subject to different variables, such as the seriousness of the pollution, the corrective measures necessary and the extent of Italgas liability. These elements are, by their very nature, difficult to estimate.

Italgas cannot predict whether, and to what extent, environmental regulation may become more restrictive over time, and cannot guarantee that the costs and expenses necessary to comply with its obligations under environmental regulations will not increase, or that these costs will be recoverable through the tariff mechanism and the applicable regulation. Substantial increases in the costs and expenses necessary in order to fulfil the obligations referred to in the environmental rules, or other costs and fines, may have adverse negative effects on the reputation and on the operations, results and economic and financial position of the Italgas Group.

For further information, see below in Chapter 3, Paragraph 3.1.7 of the Information Document.

1.1.25 Risks associated with dependence on specialised staff

Italgas' capacity to carry out its business effectively depends on the abilities and effectiveness of its staff. The dependence on qualified staff, as well as the inability to attract, train or retain staff with the necessary qualifications (specifically with regard to technical positions, where availability of qualified staff is generally limited), or the emergence of disputes with employees, could affect Italgas capacity to implement its long-term strategy and could have a negative impact on the Italgas Group's operations, results and financial position.

For further information, see below in Chapter 3, Paragraph 3.1.3 of the Information Document.

1.1.26 Risks associated with acquisitions and industrial partnerships

The Italgas Group has undertaken, and may undertake in the future, corporate operations, such as joint ventures with strategic partners, acquisitions or investments in Italian companies, which increase the complexity of Italgas Group's activities and whose success is difficult to predict. It is not certain that said operations can be carried out in accordance with the planned procedures or produce the expected benefits and synergies. The integration process could also make additional expenditure and investment necessary. If the aforementioned corporate operations fail to produce the expected synergies and benefits, there could be negative effects on Italgas Group's operations, results, and financial position.

For further information, see below in Chapter 3, Paragraph 3.1 of the Information Document.

1.1.27 Risks associated with the economic context and consequences of Great Britain's exit from the European Union (Brexit)

As of the second half of 2007, the turmoil in the global financial system has caused increasingly difficult conditions in the financial markets. These conditions have led to a reduction in liquidity and greater volatility on global financial markets, and continue to impact the functioning of the financial markets and the global economy. Some governments, international and supranational organisations and monetary authorities have recently adopted measures aimed at increasing the liquidity of the financial markets, in order to give global GDP a boost and mitigate the risk of the sovereign debt of certain European countries. However, it is difficult to predict what the impact of such measures on the economy and the financial system as well as the duration will be. Therefore, such measures or possible modifications may have a negative impact on the ability of the Italgas Group to access the capital and debt markets or to refinance the existing debt to meet their liquidity requirements.

In addition to the above, the British referendum held on 23 June 2016, in which the majority of citizens of the United Kingdom expressed their desire to leave the European Union ("Brexit"), could cause an increase in volatility in the financial markets, a worsening in the terms of financing, especially in the so-called "peripheral" countries, including Italy, and a possible consequent economic slowdown. In addition, the outcome of the referendum may significantly influence other Member States to exit the European Union and the Monetary Union with further negative consequences for the above-mentioned events. Moreover, it cannot be excluded that in the European Member States, including Italy, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. All of this could cause an increase in the

RISK FACTORS

cost of the debt of the Italgas Group with the consequential negative effects on its operations, results and economic and financial position, or eliminate conditions suitable for execution of the Transaction.

For further information, see below in Chapter 3, Paragraph 3.1.9 of the Information Document.

1.1.28 Credit risk

Credit risk is the exposure of the Italgas Group to potential losses arising from counterparties' failure to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial balance and results of the Italgas Group.

For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any disputes are handled by the business units and the centralised Italgas departments.

Italgas provides its distribution services to a small number of sales companies, with Eni the largest by revenue. The rules for user access to gas distribution service are established by the Electricity and Gas Authority and set out in the Network Codes, or in documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in providing said services and have contractual conditions which minimise the risk of non-compliance by the clients.

The maximum exposure of Italgas to credit risk as of 31 December 2015 is represented by the book value of the financial assets recorded in the consolidated financial statements of the Italgas Reti Group of 31 December 2015. As shown in Note 8, "Trade Receivables and Other Current and Non-Current Receivables", of the 2015 Consolidated Financial Statements of Snam, overdue and non-impaired receivables on 31 December 2015 amounted to €82 million. These receivables are 10% overdue below 90 days and the remainder is overdue for over 90 days (including, mainly, trade receivables in litigation, receivables with grantors for unrecognised values for compensation of redeemed facilities and incentives by AEEGSI on quality of service).

As of 31 December 2015 there are no significant credit risks. Nevertheless, it is appropriate to point out that about 96% of trade receivables relate to extremely reliable clients, including Eni, which represents about 25% of the total trade receivables.

Italgas may, however, incur liabilities and/or losses from the failure of its clients to comply with payment obligations, also given the current economic and financial situation, which makes the collection of receivables more complex and critical. Italgas maximum exposure to credit risk as of 31 June 2016 is the book value of the financial assets on its balance sheet.

For further information, see below in Chapter 4, Paragraphs 4.1 and 4.3 of the Information Document.

1.1.29 Risks associated with the adoption of procedures for related-party transactions

With regard to the adoption of procedures for related-party transactions pursuant to Article 2391-bis of the Civil Code and the Related-Party Transactions Regulations, on 18 October 2016 the Board of Directors defined the text of the procedure for related-party transactions and, pursuant to the regulatory and procedural

RISK FACTORS

provisions, following the first day of trading, decided to submit it to the first meeting of the Control and Risks and Related-Party Transactions Committee for their opinion.

For more information, please see Chapter 3, Paragraph 3.6 of this Information Document.

1.1.30 Risks associated with the nature of the Issuer's holding

Given the nature of the investment holdings of the Issuer, the results of the Italgas financial statements depend in a large part on the dividends received from the subsidiaries and invested companies and, therefore, in the final instance, reflect those companies' economic trends, investment policies and dividend payouts.

Any negative results of subsidiaries and invested companies, *i.e.* no dividends, for an extended period, could have a negative influence on the Italgas financial, economic and/or capital situation.

For more information, please see Chapter 3, Paragraph 3.1.1 of this Information Document.

1.1.31 Risks associated with the Italgas corporate governance system and the entry into force of certain provisions of the bylaws

Through subsequent resolutions of the Board of Directors of Italgas, the Issuer implemented a corporate governance system compliant with applicable laws and regulations and market best practices, with effect from the first date of trading. Specifically, this corporate governance system includes, *inter alia*, a Compensation Committee, a Control and Risks and Related Party Transactions Committee, an Appointments Committee, and a Sustainability Committee, set up by the Board of Directors on 4 August 2016, as well as an adequate number of independent directors, the adoption of an organisation, management and control model pursuant to Legislative Decree 231/2001 (General Section) and a procedure for the management of confidential information.

Compliance with the Code of Corporate Governance was approved by the Issuer's Board of Directors at the meeting of 4 August 2016.

The Issuer felt it appropriate to defer the adoption of the following acts to one or more subsequent meetings of the Board of Directors on account of the need to ensure that the Italgas structures can make suitable enquiries within the necessary times for the definition of these acts, with the comprehensive involvement of the recently appointed committees being called upon to express their opinion in this regard: (i) definition of guidelines for the internal control and risk management system; (ii) approval of the remuneration policy for directors and managers with strategic responsibilities; (iii) adoption of a guideline setting a limit on the number of offices. After the listing, a Risk Assessment project shall be launched aimed at preparing the document "Processes, Sensitive Activities and specific control standards for Form 231" which will be the "Special Section" of Form 231. Also after the listing, the appointment of the Italgas Supervisory Board shall be brought to the attention of the Board of Directors.

The Italgas Bylaws prescribe that the members of the Board of Directors and board of statutory auditors are appointed via a list voting system.

RISK FACTORS

On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Directors. The Board of Directors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 shall remain in office, for three trading periods, until the date of the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2018 period. Consequently, the provisions of the bylaws that guarantee – pursuant to Art. 147-ter(3) of the TUF and the Shareholders' Agreement – that two directors are appointed from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting.

On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Auditors. The Board of auditors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 shall remain in office, for three trading periods, until the date of the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2018 period. Consequently, the provisions of the bylaws that guarantee –pursuant to Art. 148-ter(2) of the TUF –that one member of the board of auditors is selected from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting. The member of the board of auditors appointed by the minority list will be appointed chairman of the board of auditors pursuant to Art. 148, paragraph 2-bis of the TUF.

For more information, please see Chapter 3, Paragraph 3.6 of this Information Document.

1.2 Risks relating to potential conflicts of interest arising from Related-Party Transactions

The Transaction described in the Information Document constitutes a related-party transaction pursuant to Art. III of the Snam Procedure on Related-Party Transactions, for the reasons set out below.

As illustrated in Chapter 2, Paragraph 2.6 of this Information Document, the Demerger does not constitute a “Transaction with Related Parties” (see CONSOB communication no. DEM/10078683 of 24 September 2010) while the Contribution and the Sale, albeit qualifying as transactions with Related Parties, come under the exemption pursuant to Art. 14, paragraph 2 of the Snam Regulations on Related-Party Transactions and Art. X, Paragraph 8 of the Snam Related-Party Procedure, whereby the procedures to be applied to Related-Party Transactions do not apply in the case of transactions concluded with subsidiaries (Italgas) if in the latter there are no significant interests by other related parties.

As stipulated in the Memorandum of Understanding, Snam, CDP Reti and CDP Gas entered into the Shareholders' Agreement relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of Italgas upon the outcome of the Transaction. The Shareholders' Agreement has a term of three years and is renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of governance which, following the implementation of the Transaction, shall apply to Italgas and Italgas Reti.

Please see Chapter 2, Paragraph 2.6.2 of this Information Document for more information about the Shareholders' Agreement.

RISK FACTORS

At the Information Document Date, CDP is a Related Party of Snam as defined in Annex 1 to the Regulations on Related-Party Transactions. Considering its overall economic value, the Transaction qualifies as a “major” transaction under the Snam Procedure on Related-Party Transactions.

In the light of CDP’s involvement as a Related Party of Snam, and the correlation between the Transaction and the signing of the Shareholders’ Agreement between Snam, CDP Reti and CDP Gas as provided for by the Memorandum of Understanding, Snam has not availed itself of the aforementioned exemption and has subjected the entire Transaction to the “Major Transaction” procedure set out in Art. 8 of the Regulations on Related-Party Transactions and Art. VI of the Snam Procedure on Related-Party Transactions.

It is believed that no specific risk arises from the Transaction by way of existing relationships with the counterparties and/or potential conflicts of interest. Snam has, in any case, implemented the controls and measures provided for by the Regulations on Related-Party Transactions for Significant Transactions.

For further information regarding the Snam Control, Risks and Related-Party Transactions Committee, please see Chapter 2, Paragraph 2.6 of this Information Document.

With regard to relations between the Issuer and CDP, as specified in Chapter 3, Paragraph, 3.7.2 of this Information Document, CDP participates along with 10 other lending institutions in the financing package (Bridge to Bond and revolving) in favour of Italgas. CDP shall also act as guarantor in relation to one of the EIB loans.

As regards existing relations between the Issuer and Snam, please be reminded of the service agreements described in Chapter 3, Paragraph, 3.7.1 of this Information Document and the financing agreements described in Chapter 3, Paragraph, 3.7.2 of this Information Document. Italgas Group also has a property portfolio directly related, in part, to the performance of the company business and partly leased to Snam Group companies and third parties. For further information, please see Chapter 3, Paragraph 3.1.6 below of the Information Document.

1.3 Risks relating to forward-looking statements in the Information Document

This Information Document contains provisional declarations and estimated (“forward-looking statements”) about Snam and Italgas and their assets following the Transaction. It also includes references and citations to the 2016-2020 Strategic Plan of the Snam Group presented to the financial community on 29 June 2016, which contain the growth guidelines that are also based on general scenario assumptions.

These elements do not represent factual data and are based on the current expectations and projections of the Companies Participating in the Demerger with regard to future events, and by their very nature are subject to an inherent component of risk and uncertainty. Profit forecasts and estimates are made based on specific knowledge of the sector to which the companies belong, the available data and past experience. Such forecasts are based on assumptions concerning future events and trends that are subject to uncertainty, and if these do not materialise this may involve significant shifts compared to the forecasts and estimates made. These are statements that refer to events and depend on circumstances that may or may not occur or materialise in the future and, as such, one should not place undue confidence in them.

RISK FACTORS

Actual results might differ significantly from those contained in these statements due to many factors, including changes in the prices of primary materials, macroeconomic conditions and the economic growth and other changes in business conditions, changes in regulations or in the institutional context (both in Italy and abroad), and many other factors, some of which are mentioned in these “Risk Factors”, the majority of which are outside the control of the Companies Participating in the Demerger. The External Auditors’ report on Forecast Data of the Italgas Group issued on 2 November 2016 and the External Auditors’ report on Forecast Data of the Snam Group issued on 26 October 2016, and both included in this Information Document are reported in Chapter 5, Paragraph 5.4 and Chapter 8, Paragraph 8.4 of the Information Document.

For more information, please see Chapter 5, Paragraph 5.4 and Chapter 8, Paragraph 8.4 of the Information Document.

1.4 Risks associated with Alternative Performance Measures

In order to allow a better evaluation of the performance of the financial management of the Snam Group (based on the financial statements for the years ending on 31 December 2013, 2014 and 2015 and of 30 June 2016) and of the Group Italgas Reti (based on the pro-forma data of 31 December 2015 and 30 June 2016) the directors identified several Alternative Performance Measures (“APM”). Management also believes that these indicators provide useful information for investors as well as the directors themselves because they facilitate the identification of significant operating trends and financial parameters.

With regard to the interpretation of these APMs, please refer to the explanation below:

- (i) these indicators are constructed exclusively from Group Italgas Reti historical data or Italgas Group pro-forma data and are not indicative of the future performance of said Group;
- (ii) the APMs are not stipulated by the international accounting principles (“IFRS”) and, as they are derived from the consolidated financial statements prepared in conformity with these principles, they are not subject to audit;
- (iii) the APMs should not be considered as replacing the indicators required by the reference accounting principles (IFRS);
- (iv) the APMs should be read together with the financial information for the Group Italgas Reti taken from the consolidated financial statements for the years 2013, 2014 and 2015 and for the half-years ending on 30 June 2016 and 2015 attached to this information Document and to the pro-forma financial information of the Group Italgas Reti taken from the Pro-forma Consolidated Financial Statements of 31 December 2015 and 30 June 2016 in Chapter 4 of this Information Document;
- (v) as they do not come from reference accounting principles, the definitions of these indicators may not be standardised with those adopted by other companies/groups and therefore not comparable; and
- (vi) the definition and representation of APMs used are continuous and standardised for all the periods for which financial information in this Information Document is included.

For further information about APMs, please refer to Chapter 3, Paragraph 3.2 of this Information Document.

1.5 Risks relating to Italgas financial instruments

1.5.1 Risks associated with allocated financial instruments

Following the completion of the Demerger and the listing of the Beneficiary Company's ordinary shares (the "Shares"), the holders of the shares shall have the right to liquidate their investment through sale on the MTA. However, it is not possible to guarantee that there will still be a sufficiently liquid market for the Shares. The typical liquidity risk of the stock market therefore exists, given that sales orders may be adequately and promptly offset, thereby causing fluctuations in the prices of the Shares that could be significant. At the Information Document Date, Snam shares are traded on the FTSE MIB index, the main reference for the Italian stock market, which includes the 40 companies with the highest liquidity and capitalisation of those listed on this market. There is no guarantee that, after the Demerger Effective Date, the Shares will be included in this index or that, where they are included in this index, they will continue to be part of it following the quarterly reviews (in March, June, September and December of each year) of the composition conducted by Borsa Italiana. The failure to include the Shares in this index could have an impact on the liquidity and/or the performance of the price of the Shares.

For further information, see the following Chapter 9, Paragraph 9.1 of the Information Document.

1.5.2 Risks associated with fixing the market price of the Shares

Following the effective Demerger, shareholders of the Demerged Company will be allocated new-issue shares, free of charge, in proportion to the shareholding held by each of them in the share capital of Snam. The allocation will take place based on a ratio of one Italgas share for every five Snam shares held. At that time the shares of both the Companies Participating in the Demerger will be listed on the MTA. The price of the shares of the Beneficiary Company will be calculated based on the demand/supply ratio following the admission to trading of said shares.

For further information, see the following Chapter 9, Paragraph 9.1 of the Information Document.

1.5.3 Risks associated with potential conflicts of interest with the Sponsors

Banca IMI, a company belonging to the Intesa Sanpaolo banking group, as the Sponsor under the scope of the listing on the MTA of the Shares, finds itself in a situation of a potential conflict of interest as outlined below:

- (a) Banca IMI will receive fees as payment for the services rendered for its above-mentioned role as Sponsor;
- (b) Banca IMI and/or one or more of the other Intesa Sanpaolo banking group companies have existing relations of a credit nature with Italgas Reti and some Italgas Reti Group and Snam Group companies;
- (c) Intesa Sanpaolo, jointly with other leading Italian and international financial institutions, has participated in the financing of Italgas, in part, for a total of €3.9 billion.

Lastly, Banca IMI and one or more of the companies belonging to the Intesa Sanpaolo banking group have, are or could in the future, as part of their routine activities, continuously provide lending, advisory, investment

RISK FACTORS

banking and corporate finance services in favour of (i) Italgas and/or Italgas Group companies, (ii) Italgas Reti and/or Italgas Reti Group companies and (iii) Snam and/or Snam Group companies.

Equita as a Sponsor under the scope of the listing of the Shares on the MTA finds itself in a situation of potential conflict of interest because it will receive fees in payment for services rendered with regard to the above-mentioned roles of Sponsor.

Lastly, Equita, has, is or could in the future, as part of its routine activities, continuously provide advisory, investment banking and corporate finance services in favour of (i) Italgas and/or Italgas Group companies, (ii) Italgas Reti and/or Italgas Reti Group companies and (iii) Snam and/or Snam Group companies.

For further information, see the following Chapter 10, Paragraph 10.1 of the Information Document.

1.6 Risks associated with the Transaction

1.6.1 Risks relating to pro-forma data

The Information Document contains pro-forma data from 31 December 2015 and 30 June 2016, prepared solely for illustrative purposes in compliance with applicable laws and regulations, in accordance with the applicable accounting standards, for the purpose of providing investors with information about the effects of the Demerger on the results, cash flow and balance sheet of the groups belonging to the Demerged Company and the Beneficiary Company as if the Transaction and the settlement of the positions in place between the Demerged Company and the Beneficiary Company, and the consequent autonomous refinancing of Italgas Group on the market had occurred at the end of the period to which the above-mentioned data refer to for the pro-forma consolidated balance sheet and the start of the period for the pro-forma consolidated income statement and statement of cash flows, respectively.

Since the pro-forma information is based on assumptions, it must be noted that, had the Demerger actually occurred on the dates used as a reference for the preparation of the pro-forma data instead of the actual dates, the historical data would not necessarily be the same as the pro-forma data. Moreover, the pro-forma data is not a projected figure and is not intended, in any way, to represent a forecast of the future results of companies of the Demerged Company and the Beneficiary Company inasmuch as it has been prepared to represent only the directly attributable and factually supportable effects of the Demerger.

Since the pro-forma data has been prepared to retroactively show the effects of transactions occurring at a later time, despite the compliance with commonly accepted rules and the use of reasonable assumptions, there are limits included in the nature of such pro-forma data. Lastly, in consideration of the various purposes of the pro-forma consolidated data as compared to historical figures, and in consideration of the various methodologies used to calculate the pro-forma adjustments, the pro-forma balance sheet, income statement and statement of cash flows must be reviewed and interpreted separately, without attempting to find accounting connections between them.

The following were issued on 9 September 2016: (i) the report of the Auditing Firm on the evaluation of the pro-forma consolidated financial statements of Snam Group Post-Demerger as of 31 December 2015, (ii) the report of the Auditing Firm on the evaluation of the consolidated financial statements of Snam Group Post-Demerger as of 30 June 2016, (iii) the report of the Auditing Firm on the evaluation of the consolidated

RISK FACTORS

financial statements of Italgas Group as of 31 December 2015, and (vi) the report of the Auditing Firm on the evaluation of the consolidated financial statements of Italgas Group as of 30 June 2016 attached to this Information Document.

For more information, see Chapters 4 and 7 of this Information Document.

1.6.2 Risks associated with failed completion or delay in completion of the Transaction

Administrative, technical, industrial, operational, regulatory, political or financial difficulties could bring about a failed completion or at least a delay in completion of the Transaction. Extension of completion times for the Transaction for the above reasons could have a negative influence on the expected benefits of the Transaction itself or give rise to greater costs than anticipated, with consequent negative effects on the Italgas trading, financial and capital situation.

For more information, please see Chapter 2, Paragraph 2.1 of this Information Document.

1.6.3 Risks associated with joint obligations arising from the Demerger

Pursuant to Art. 2506-*quater*, paragraph 3 of the Civil Code, as of the Demerger Effective Date, each of the Companies Participating in the Demerger is jointly liable –within the limits of the amount of the shareholders' equity assigned to or still held by it –for existing debts as of the Demerger date not repaid by the debtor company.

The joint liability pursuant to Art. 2506-*quater*, paragraph 3 of the Civil Code is subsidiary insofar as it arises only in the event of debts “not repaid” by the debtor company. Nevertheless, this rule, as an exception to the provisions of the Civil Code, does not apply with reference to certain specific debts and liabilities.

For example (i) pursuant to Art. 30, paragraph 2, Legislative decree no. 231 of 8 June 2001, the beneficiary company of a demerger has unlimited liability for penalties ordered against the demerged company provided that the operations relating to the unlawful act were transferred to the beneficiary, and (ii) pursuant to Art. 173(13) of Decree of the President of the Republic no. 917 of 22 December 1986 and Art. 15 of Legislative decree no. 472 of 18 December 1997, solely with regard to tax debts and as an exception to the provisions of the Civil Code, the beneficiary may be jointly liable with the demerged company for an amount greater than the net equity transferred.

For more information, please see Chapter 2, Paragraph 2.1 of this Information Document.

1.7 Risks relating to the Demerged Company arising from the Transaction

1.7.1 Risks associated with the financing sources used by Snam and the possible need for refinancing

The Demerged Company has access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the EIB and bonds).

RISK FACTORS

Some of Snam's existing loans contain clauses limiting the possibility of carrying out corporate transactions or disposing of significant assets of the company or its subsidiaries, which are typical in contracts of this type, and where infringement could trigger an early repayment obligation for said loans.

On the one end, as at the Information Document Date, Snam has the necessary consent for concluding the Demerger from the relevant lending institutions conditional on, inter alia, completion of the Transaction, without any reservations regarding the possibility of conducting corporate operations or the availability of the company's or its subsidiaries' assets.

On the other hand, the bonds issued by Snam as of 31 December 2015 under the Euro Medium Term Notes programme provide, inter alia, for compliance with a commitment typical of international market practice, pursuant to which approval is required from the bondholders so that Snam may sell a substantial part of its industrial activity resulting from a corporate reorganisation such as the Demerger.

Approval of the Transaction by the bondholders of the Demerged Company is also one of the conditions which the validity of the Transaction is subject to. At the bondholders meeting held on 30 September 2016, Snam asked for and obtained approval for the Transaction.

The Transaction shall not require the Demerged Company to carry out refinancing operations, nor shall it involve, as a direct result, an increase in the indebtedness of the Demerged Company.

The Demerged Company will be able to establish measures to optimise its own financial structure in the course of ordinary debt management.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

1.7.2 Tax risks associated with the Transaction

For tax purposes, the Demerger carried out in the context of the Transaction qualifies as a neutral transaction for the purposes of corporation tax (IRAP), therefore, it will not result in the realisation of taxable income for the parties involved.

In order to obtain confirmation regarding the above-mentioned neutrality of the Demerger pertaining to the Demerged Company, the Beneficiary Company and the shareholders of the Demerged Company, on 6 July 2016, Snam presented the Central Management of the Revenue Agency with a request application - pursuant to and in accordance with Article 11, paragraph 1, letter c) of Law No. 212 of 27 July 2000 (Taxpayers' Bill of Rights, as amended by Legislative Decree No. 156 of 24 September 2015 - aimed at acquiring an opinion with regard to the absence of abusive profiles relating to IRES, with reference to the series of transactions to be implemented pursuant to the separation of Italgas Reti's gas distribution business from Snam, the listing on the MTA of the companies pertaining to the Italgas Group (now Italgas S.p.A.) and the consequent continuation of the tax consolidation between the Issuer and the subsidiaries transferred to it as a result of the planned Demerger transaction.

At the basis of the absence of abusive profiles and the consequent non-existence of the prerequisites for any derecognition of the tax effects of the transaction by the financial administration, evidence was provided in the request application for both the existence of the valid, non-marginal extra- tax reasons, underlying the

RISK FACTORS

individual stages of each of the actual transactions and which reveal the existence of a clear economic substance, and also of the absence of any undue tax advantage, or benefits, including non-immediate ones that conflict with the aims of the tax regulations or the principles of tax law.

The Revenue Agency's response to the request application is expected to be received, pursuant to Article 11, paragraph 3, of the Taxpayers' Bill of Rights, within one hundred and twenty days of the presentation date of the actual application, apart from the request for additional documentation by the financial administration, at the Information Document Date not received. In the latter circumstances, the reply would be made within sixty days of receipt of the additional documentation.

Therefore, as at the Information Document Date, there is no assurance regarding the fact that the Italian Tax Authority will agree with the position taken by Snam as far as the tax considerations of the Demerger described above.

Lastly, the change in the original equity investments resulting from the Demerger constitutes neither the realisation nor distribution of capital gains or losses for the Demerged Company's shareholders. With regard to each shareholder, the division of the tax value of the stake originally held in the Demerged Company must respect the existing ratio of the effective value of the equity investments received by the Beneficiary Company and the effective value of each shareholder's equity investment in the Demerged Company.

For more information, please see Chapter 2, Paragraph 2.1.2 of this Information Document and Chapter 3, Paragraph 3.5 of this Information Document.

1.7.3 Risks associated with the rating of the Demerged Company

After the Transaction was announced to the market and after taking into account the relevant effects, on 29 June 2016 Fitch confirmed a BBB+ rating with a stable outlook for Snam's long-term debt. Moody's confirmed a Baa1 (stable outlook) rating and S&P, in the context of a study issued on 29 June 2016, which is not a rating action pursuant to the applicable European regulation relating to the rating agencies, stated that the Transaction announced to the market would not have impacted Snam's rating in anyway (BBB rating with a stable outlook). Afterwards, the three agencies confirmed Snam's rating again: Moody's on 5 July 2016, Fitch on 29 July 2016 and S&P on 26 September 2016.

The main elements that led to the confirmation of the rating are (i) the improvement of the credit metrics immediately after the Transaction, (ii) Snam's confirmed focus on the regulated business in Italy, considered as stable and favourable with minimum exposure to the volatility of the gas transportation volumes and (iii) the resilience of the financial metrics in stress tests featuring a reduction in regulatory output.

The ratings agencies review their ratings at least once a year and therefore it is not possible to rule out the fact that these agencies may issue a new rating for Snam in 2016. As a result, it is not possible to predict either the timing of these ratings let alone the outcome.

The possibility of accessing the capital markets and other forms of financing and the associated costs depend, inter alia, on the rating assigned to Snam. Any downgrade in Snam's creditworthiness could limit potential access to the capital markets and increase the cost of raising funds and/or refinancing existing debt, with negative effects on Snam Group's balance sheet, results and cash flow.

RISK FACTORS

For more information, please see Chapter 8, Paragraphs 8.3 of this Information Document.

1.7.4 Risks associated with the continuation of equity investment relationships between the Demerged Company and the Beneficiary Company

Following the Demerger, Snam will maintain an equity investment of 13.50% of the capital of Italgas. Therefore, the economic and financial results of the Demerged Company will be influenced by the results of the activities of the Beneficiary Company, as limited by the above equity investment.

If the Italgas Group does not have the necessary financial resources available to repay the loan to Snam resulting from the Transaction, this could have negative effects, including significant ones on the financial results and income of the Italgas Group and, as a result, on the value of the shareholdings held by Snam in the Issuer.

For more information, please see Chapter 2, Paragraphs 2.1 of this Information Document.

1.7.5 Risks for the Demerged Company connected with the repayment by Italgas Group of the existing debt following the Transaction

As a result of the Transaction, the Italgas Group shall be required to pay off loans with the Demerged Company for a total of €3,589 million¹⁸, of which:

- (i) €2,086 million of intercompany loans, pre-existing at the time of the Transaction, which derive from the transfer to the Issuer by the Demerged Company of the funds through the issuance of bonds, the disbursement of EIB loans and the use of credit lines, for the purpose of group cash pooling and which overturns the economic conditions that were already obtained without any additional margin;
 - a) loans by way of bond issues of the Demerged Company amounting to €1,134 million, inclusive of the valuation at market value thereof, amounting to €123 million;
 - b) intercompany treasury agreement amounting to €527 million, corresponding to the same bank funding conditions of the Demerged Company;
 - c) financing by way of EIB loans issued to the Demerged Company amounting to €425 million; Italgas is expected to assume such loans starting from the Demerger Effective Date;
- (ii) €1,503 million related to the Vendor Loan, which corresponds to the financial debt assumed by Italgas in connection with the Sale and effective from the Demerger Effective Date;

The average overall cost of the financing under a), b) and c) above as at 30 September 2016 amounted to approximately 2.5% and the average residual duration was approximately 5 years. The contractual agreements between the Demerged Company and the Issuer provide that the Issuer reimburses such loans (on the basis of the balance with value date 4 November 2016) within 5 business days of the Demerger Effective Date.

¹⁸ Value as at 30 September 2016, which includes the interest portion of the instalments amounting to €18 million, of which €17 million are related to the financing referred to under (i)(a) above and €1 million relate to the loans granted by the EIB, referred to under (i)(c) above.

RISK FACTORS

With regard to the Vendor Loan, the relevant contract provides that the Vendor Loan shall be repaid within 5 business days of the Demerged Effective Date and shall have a rate of interest corresponding to the cost of the Snam banking funding.

To become independent from the Snam Group from a financial standpoint, the Issuer:

- (i) entered into certain loan agreements, the effectiveness of which is conditional upon the admission to listing of the Italgas shares on the MTA, which provide for the utilisation of certain lines of credit and term loans to be drawn to repay the indebtedness *vis-à-vis* Snam for a total amount of €3.2 billion, and the utilisation of other lines of credit for an amount of €736 million. In particular, these agreements provide for:
 - (a) a Bridge to Bond variable rate financing, equal to €2.3 billion, provided by a pool of 11 banks, with a duration of 12 months and renewable, at the exclusive option of the borrower, twice for an additional six months, and with a spread of approximately 0.3% over the 1, 3 and 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, with payment of interest on a half-yearly basis in arrears and bullet repayment at maturity;
 - (b) three variable rate Term loans for a total overall amount of €500 million, two of which having a duration of 14 months and one having a duration of 3 years, provided by three of the 11 banks participating in the pool and with a spread of approximately 0.3% over the 1, 3 and 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, with payment of interest in arrears and bullet repayment;
 - (c) two revolving-type variable rate credit lines provided by the same pool of banks for a committed amount equal to €600 million and €500 million respectively, with a duration of three and five years, respectively, and with a spread of approximately 0.5% over the 1 or 2 week, or 1, 3 or 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, for the amount utilised, including usage fees, with payment of interest in arrears and non-usage fees equal to 35% of the spread;
- (ii) entered into a deed of assumption with Snam, with EIB's acceptance, finalised on 26 October 2016, effective from the Demerger Effective Date, with respect to two loans borrowed by the Demerged Company from EIB for an amount of €424 million and with a spread of approximately 0.7% over the 6-month Euribor for an average residual duration of approximately 18 years, and intended to finance Italgas Reti projects.

With regard to the above-mentioned assumption of the debt by the EIB, the EIB has agreed to this and it was formalised in a deed of assumption on 26 October 2016. This deed is conditional upon the admission to listing of the Italgas shares on the MTA.

Should the Italgas Group not provide the necessary funding to repay this debt, the Demerged Company will retain the unpaid credit with the Beneficiary Company, and will not consequently reduce its indebtedness by the same amount, with a corresponding potential negative impact on the Demerged Company's credit rating.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

RISK FACTORS**1.8 Main risks and uncertainties relating to Snam Group's activities**

As at the Information Document Date, Snam Group is active, via its subsidiaries, both directly and indirectly, in the natural gas distribution business in Italy. By effect of the Transaction, Snam will transfer to the Issuer its current equity holdings in Italgas Reti, which is active in the gas distribution business, and consequently Italgas Reti will cease to fall within the scope of consolidation of Snam.

1.8.1 Risks associated with maintaining gas storage concessions

At the Information Document Date, Snam Group, directly and indirectly through its subsidiaries, operates in the natural gas storage business in Italy. Gas storage activities carried out by the Snam Group via Stogit are based on the concessions issued by the Ministry of Economic Development. As at the Information Document Date, Stogit holds 10 gas storage concessions, 9 of which are operational.

Pursuant to applicable regulations, the concessions issued before the entry into force of Legislative decree 164/2000 can be extended by the Ministry of Economic Development no more than twice for a duration of 10 years each, pursuant to Art. 1(61) of Law no. 239/2004. Pursuant to Art. 34(18) of Decree Law no. 179/2012, converted by Law 221/2012, the term of the concessions issued after the entry into force of Legislative decree 164/2000 is for 30 years with the possibility of extending for another 10 years.

A total of 8 of the 10 gas storage concessions held by Snam via Stogit fall under the first category (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala). For each of these concessions, which will expire in the month of December 2016, Stogit filed the extension application promptly, and the request is currently pending before the Ministry of Economic Development.

The supplement documents requested following the sending of the applications for the first 10-year extension, in 2013 and 2014, were submitted to the Ministry of Economic Development in 2015.

It is understood that activities will continue until the completion of the pending authorisation procedures envisaged by the original approval, whose expiry is deemed therefore automatically extended until such completion.

Note also that another concession (Fiume Trieste), also falling within the first category referred to above, will expire in June 2022 and this was already extended for 10 years, in 2011. Lastly, a gas storage concession that Snam holds via Stogit (Bordolano) will expire in November 2031 and, as it falls within the second of the above categories, it may be extended for an additional 10 years.

If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.2 Risks associated with dependency on authorisations for gas transportation

The gas transportation business is not subject to concessions. However, the construction and operation of new transportation infrastructure is subject to specific administrative procedures (authorisations, permits, concessions, etc.). In particular, for gas transportation, as for other Snam Group businesses, specific administrative authorisations must be issued, including those issued pursuant to Artt. 52-*bis* et seq. of Presidential Decree No. 327 of 8 June 2001, concerning energy infrastructure.

Pursuant to general principles of corporate law, such authorisations can be annulled and/or revoked by the authorities that issued them, on justified grounds, for prevailing reasons of public interest, if there is a change in the de facto situation or a new evaluation, by the competent authorities, of the originally established public interest. Any revocation must be adequately explained, accounted for and justified by the competent authority. The cancellation or revocation of one of these authorisations may cause operational problems and delays to the execution of the project and activities under way. Such authorisations may not be issued within the time frames required by law due to delays attributable to the bodies involved in the issuance process. We can also report that such authorisations could be subject to legal actions by the interested entities, such as private citizens, regional public associations or entities, with negative consequences on the operations and financial situation of the Snam Group.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.3 Risks associated with gas demand

Based on the tariff system currently applied by AEEGSI to natural gas transportation activities, Snam's revenues, via Snam Rete Gas, correlate in part with volumes transported. However, AEEGSI has introduced a guarantee mechanism with regard to the share of revenue related to volumes transported. This mechanism involves reconciling greater or lesser revenues exceeding $\pm 4\%$ of the reference revenues relating to volumes transported. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed.

Based on the tariff system currently applied by AEEGSI to natural gas storage activities, Snam's revenues, via Stogit, correlate with infrastructure usage. However, AEEGSI has introduced a mechanism to guarantee reference revenues that allow companies to cover a significant portion of revenues recorded. For 2015 and 2016, the minimum guaranteed level of revenue recorded was approximately 97%. AEEGSI is reviewing integration of this mechanism which, for subsequent years, will result in relying on the guaranteed minimum level of revenues, as well as the storage company's efficiency in terms of managing capacity allocation procedures and service provision procedures, following a procedure launched by AEEGSI.

The change to the regulatory framework in force could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

RISK FACTORS*1.8.4 Risks associated with the limited number of Shippers*

Snam provides its services to a limited number of Shippers. Shippers acquire natural gas from producers, importers or other Shippers and then sell it – in turn – to other Shippers or to end users, such as owners of power stations and industrial facilities, which are generally directly connected to the transportation system, or to residential or commercial end users connected to a local distribution network.

The Shippers access natural gas infrastructure by using transportation, dispatching, LNG regasification, storage and distribution services.

The existing regulatory framework gives Shippers, who are in possession of the necessary requirements, the right to access the above-mentioned natural gas infrastructures. This right corresponds to an obligation by the operators of the infrastructures to agree to the contracts necessary to grant Shippers access based on terms and conditions approved by AEEGSI.

Any non-compliance by the Shippers, in particular Eni and Enel Trade S.p.A., where contracts have generated approximately 80% of the core business revenue of Snam Rete Gas in the year 2015, or a delay in complying with their obligations, could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.5 Risks associated with changes in the price and volume of natural gas

Market risks include the risk associated with changes in the price of natural gas.

With effect from 1 January 2010, with the start of the third regulation period, AEEGSI, in application of the new tariff criteria under ARG/gas resolution 184/09, providing for Regulation of the tariffs for the transportation and dispatching of natural gas for the period 2010-2013 (RTTG 2010--2013), defined the methods for payment in kind by users of the service to the greater transportation firm during the four-year period 2010-2013, for quantities of gas for coverage of fuel gas, grid losses and UFG, due as a percentage of the quantities issued and drawn to and from the transportation grid respectively.

Following these provisions, confirmed by ARG/gas resolution 514/2013 also for the fourth regulation period, and in consideration of the mechanisms for allocation of gas to service users, the price risk relating to the procurement of natural gas for coverage of fuel gas and grid losses does not form a risk factor for Snam.

With regard to UFG, AEEGSI, by means of the same Resolution 514/2013/R/gas: (i) defined the permitted level of UFG given the average value registered over the last two years, and (ii) decided to keep this amount fixed for the entire regulatory period in order to incentivise the main transmission system operator to deliver further efficiency improvements. In fact, greater quantities of UFG than the permitted level for the relevant regulation period would not be recognised in the tariffs. In consideration of the aforesaid methods for payment for UFG in kind, there is still uncertainty as regards any quantities of UFG measured in excess of the quantities paid in kind by service users.

RISK FACTORS

The change in the regulatory framework currently in force on the payment in kind of natural gas could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.6 Regulatory risk

Regulatory risk for Snam is closely linked to the regulation of activities in the gas sector. Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

The relevant directives and legal provisions issued by the European Union and the Italian government, along with the resolutions of AEEGSI and, more generally, changes to the regulatory framework may have a negative impact on Snam Group's operations, results and financial position.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.7 Legal and non-compliance risk

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations that Snam must comply with for the activities that it carries out. The violation of such rules and regulations may result in criminal, civil and/or corporate sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation. With regard to specific cases, the violation of regulations for the protection of workers' health and safety and of the environment, and the violation of anti-corruption rules, may also result in (potentially significant) fines against Snam based on the administrative responsibility of entities (Legislative Decree No. 231 of 8 June 2001).

For more information, please see Chapter 3, Paragraph 3.1 and 3.5 of this Information Document.

1.8.8 Risks associated with taxation

Any unfavourable change in the rate of income tax, other taxes or duties applicable to the

Snam Group could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

Recently, companies operating in the natural gas transportation and distribution segments, as well as other companies in the energy sector, have been subject to an additional tax on top of the corporate income tax (the so-called "Robin Hood Tax"), which was later declared unlawful by the Constitutional Court in Ruling No. 10 of 11 February 2015.

Snam Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities.

For more information, please see Chapter 3, Paragraph 3.5 of this Information Document.

RISK FACTORS*1.8.9 Risks associated with potential competition in the sectors where Snam operates*

At the Information Document Date, the Snam Group is the leading operator in the regulated natural gas sector in Italy.

In the gas transportation segment, Snam Rete Gas owns almost all transportation infrastructure in Italy (approximately 94% of the entire system in terms of km of network). With regard to LNG regasification, LNG Italia is currently the third-largest operator on the Italian market by LNG regasification capacity (3.5 billion cubic meters of annual capacity).

In terms of storage, Stogit is one of the two storage operators currently active in Italy, and in 2015 its operations accounted for 95% of total natural gas storage capacity in the country.

If Snam were unable to respond adequately to the activities carried out by its competitors, there could be negative effects on Snam Group's operations, results, balance sheet and cash flow¹⁹.

For more information, please see Chapter 3, Paragraph 3.1.9 of this Information Document.

1.8.10 Risks associated with political, social and economic instability in natural gas supplier countries

A large proportion of the natural gas transported through the Italian national transportation network is imported from or passes through Countries that are currently politically, socially or economically unstable, and/or which may also suffer instability in the future. The import of natural gas from or transit through these countries are subject to the following inherent risks: high inflation; volatile exchange rates; inadequate legislation on insolvency and creditor protection; social tensions; limits on investment and the import and export of goods; increases in taxes and excises; forced renegotiation of contracts; nationalisation or renationalisation of assets; political unrest; changes in trade policies; monetary restrictions; and losses or damage caused by disorder and unrest.

If a Shipper using the transportation service via Snam's networks cannot procure natural gas from the aforementioned Countries because of said adverse conditions, or in any way suffers from said adverse conditions, *i.e.* is consequently unable to fulfil contractual obligations towards Snam, this could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1.9 of this Information Document.

1.8.11 Risks associated with the emissions market

Snam Group's activities fall within the scope of European Union Directives on the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants. 1 January 2013 saw the beginning of the third regulatory period (2013-2020) of the Emission Trading Scheme ("ETS"),

¹⁹ The information about market position in specific sectors contained in this Risk Factor has been taken from institutional sources such as the "Annual report on the state of services and activities carried out", AEEGSI, dated 31 March 2016 (published on 21 June 2016), internal sources and the resolution of AGCM C11695 No. 23824 of 8 August 2012.

RISK FACTORS

the greenhouse gas emissions authorisation system, which is governed by Legislative Decree of 13 March 2013, No. 30, as amended, which transposes Directive 2009/29/EC.

This system was identified as one of the instruments for achieving the targets set by the European Union (so-called 20-20-20): to reduce greenhouse gas emissions by 20%, raise the proportion of energy generated from renewable sources to 20% and bring the energy saving to 20%, by 2020.

In 2015, carbon dioxide emissions from the Snam Group facilities covered by the ETS were overall greater than the emission permits allocated. This deficit is offset by the allowances already present in the registers for Snam Group plants, accumulated thanks to the surplus from previous years.

Emissions permits will gradually decrease between now and 2020. In light of this, it is not certain that the carbon dioxide emissions from Snam facilities will be covered in the future by the permits that Snam already holds, or that it will manage to acquire from third parties the permits necessary to cover any emissions exceeding the limits.

Snam has adopted a series of initiatives for reducing the impact of emissions: in 2015 Snam avoided the emission of 141,000 equivalent tonnes of CO₂, thanks to a series of measures taken in 2014 relating, inter alia, to the installation of higher energy efficiency turbines and more efficient boilers, the installation of photovoltaic systems on buildings and in grid installations, natural gas recovery operations (gas recompression in the transportation grid and in the pressure systems), restructuring of buildings with improvement of the energy class.

Compliance with greenhouse gas regulations in the future may require Snam to adjust its facilities, and to control or limit its emissions or undertake other actions that could increase the costs of complying with the regulations in force, and therefore have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1.7 of this Information Document.

1.8.12 Risks associated with environmental, health and safety protection

The activities that the Snam Group engages in present certain hazard profiles. There is also a possibility that the performance of such activities will cause harm to third parties and/or Snam employees. Snam is subject to national and European rules and regulations on environmental, health and safety protection, to safeguard both third parties and Snam Group employees.

As part of its activities, Snam uses hazardous or potentially hazardous products. Furthermore, some of the activities it carries out that are not currently considered harmful, or whose hazardous nature has not yet been proven, could be considered harmful in the future as a result of amendments of the regulatory framework. Snam and the sites where it operates are subject to rules and regulations (including town planning regulations) on pollution, environmental protection and the use and disposal of hazardous substances and waste. These rules and regulations expose Snam to costs and liabilities related to its activities and facilities, including those relating to sites used for the disposal of waste or the decommissioning of facilities. The costs and expenses generated by environmental restoration obligations that Snam may incur are subject to different variables, such

RISK FACTORS

as the seriousness of the pollution, the corrective measures necessary and the extent of Snam's liability. These elements are, by their very nature, difficult to estimate.

Snam cannot predict whether, and to what extent, environmental regulation may become more restrictive over time, and cannot guarantee that the costs and expenses necessary to comply with its obligations under environmental regulations will not increase, or that these costs will be recoverable through the tariff mechanism and the applicable regulation. Substantial cost and spending increases necessary for complying with the obligations of environmental regulations, *i.e.* other costs and fines could have a negative effect on the reputation, operations and financial position of the Snam Group.

For more information, please see Chapter 3, Paragraph 3.1.7 of this Information Document.

1.8.13 Operating risks. Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes

Operating risks associated with Snam Group activities consist mainly of malfunctioning and unforeseen interruption of the service caused by accidental events, including accidents, breakdowns or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people, with potential compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

There is also the concrete possibility that Snam could incur delays in the progress of infrastructure construction programmes as a result of several unknowns linked to operating, economic, regulatory, authorisation and competition factors, regardless of its intentions. Snam is therefore unable to guarantee that the projects to upgrade and extend its network will be started, completed or lead to the expected benefits in terms of tariffs.

Additionally, the development projects may require greater investments or longer time frames than those originally planned, generating a negative impact on Snam Group's results, operations and financial position.

Investment projects may be terminated or delayed because of the difficulties in obtaining environmental and/or administrative authorisations, through opposition from political forces or other organisations, or may be influenced by price variations of equipment, materials or workforce, or by changes in the political or regulatory situation during the construction, or even by an incapacity to obtain loans at an acceptable rate of interest. Such delays could have negative effects on the assets and the balance sheet, income statement and financial position of the Snam Group. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.14 Risks associated with dependence on specialised staff

Snam's capacity to carry out its business effectively depends on the abilities and effectiveness of its staff. Dependence on qualified staff, and the inability to attract, train or retain personnel with the necessary

RISK FACTORS

qualifications (particularly with reference to technical positions, for which the availability of qualified people is typically limited), or where disputes with employees arise, could have an effect on Snam's ability to implement its long-term strategy and could have a negative impact on Snam Group's operations and financial situation.

For more information, please see Chapter 3, Paragraphs 3.6.1 of this Information Document.

1.8.15 Risks associated with acquisitions and industrial partnerships

The Group has undertaken, and may undertake in the future, corporate operations, such as joint ventures with strategic partners, acquisitions or investments in Italian or foreign companies, which increase the complexity of Snam Group's activities and whose success is difficult to predict. It is not certain that said operations can be carried out in accordance with the planned procedures or produce the expected benefits and synergies. The integration process could also make additional expenditure and investment necessary. If the aforementioned corporate operations fail to produce the expected synergies and benefits, there could be negative effects on Snam Group's operations, results, balance sheet and cash flow.

Furthermore, the value of the investments made or that Snam could make in foreign companies active in the gas transportation sector could vary and potentially fall in relation to the possession, maintenance or variation of the certifications required by transportation systems operators pursuant to Directive 2009/73 of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, duly issued by the competent authority in the country in which the investee company is based. Lastly, the failure by investee companies to achieve positive results could have negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.1 of this Information Document.

1.8.16 Risks associated with the execution of Snam's strategic plan

On 28 June 2016, the Snam Board of Directors approved the strategic plan providing the lines of strategy and targets of the Snam Group for a period of five years, from 2016 to 2020. The strategic plan contains, and was developed based on, suppositions and estimates associated with possible future developments and events affecting Snam's segment of operations, for example estimates concerning the demand for natural gas in Italy in the medium-long-term period or changes in the applicable regulations.

If the events and circumstances hypothesised or relied upon by the Board of Directors when drawing up the strategic plan, including the evolution of the regulatory framework, fail to materialise, the future operations, cash flow and results of the Snam Group may differ from those set out in the strategic plan.

Furthermore, the historical consolidated results, the historical financial and operating situation may not be indicative of future financial and operating performance. There can be no guarantee whatsoever that, in the future, Snam's profitability will remain at current levels, or that the regulatory framework will not evolve in a manner that is unfavourable to Snam.

For more information, please see Chapter 8, Paragraphs 8.3 of this Information Document.

RISK FACTORS*1.8.17 Risks associated with the economic context and consequences of Great Britain's exit from the European Union (Brexit)*

From the second half of 2007, the turmoil in the global financial system has caused increasingly difficult conditions in the financial markets. These conditions have led to a reduction in liquidity and greater volatility on global financial markets, and continue to impact the functioning of the financial markets and the global economy. Some governments, international and supranational organisations and monetary authorities have recently adopted measures aimed at increasing the liquidity of the financial markets, in order to give global GDP a boost and mitigate the risk of the sovereign debt of certain European countries. However, it is difficult to predict what the impact of such measures will be on the economy and the financial system as well as the duration. Therefore, such measures or possible modifications may have a negative impact on the ability of Snam Group and the Demerged Company's to access the capital and debt markets, or to refinance its existing debt to meet their liquidity requirements.

In addition to the above, the British consultative referendum held on 23 June 2016, in which a majority of citizens of the United Kingdom expressed their desire to leave the European Union ("Brexit"), could cause increased volatility in the financial markets, a worsening in the terms of financing especially in the so-called "peripheral" countries, including Italy, and a possible consequent economic slowdown. In addition, the outcome of the referendum may significantly influence other Member States to exit the European Union and the Monetary Union with further negative consequences for the above-mentioned events. Moreover, it cannot be excluded that in the European Member States, including Italy, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. The above-mentioned circumstances could negatively impact the implementation of the Transaction or could cause a rise in the indebtedness of the Beneficiary Company, the Demerged Company and the Snam Group, with consequential negative effects on their business as well as their economic and financial position.

For more information, please see Chapter 3, Paragraph 3.1.9 of this Information Document.

1.8.18 Exchange rate risk

The risks relating to changes in exchange rates may be both "transaction risks" and "translation risks". Transaction risk is generated by the conversion of commercial or financial receivables (payables) into currencies other than the functional currency, and is caused by the impact of unfavourable exchange rate fluctuations between the time that the transaction is made and the time it is settled (collection/payment). Translation risk relates to fluctuations in the exchange rates of currencies other than the consolidation currency (the Euro), which can result in changes to consolidated shareholders' equity. Snam's risk management system aims to minimise transaction risk through measures such as the use of derivatives.

As of 30 June 2016 Snam held positions in foreign currency relating essentially to a bond for the amount of Japanese ¥10 billion with maturity in 2019, for a book value at the issue date of approximately €75 million, converted into Euro entirely via a derivatives Cross Currency Swap hedging contract. Snam does not hold derivatives in foreign currency for speculative purposes.

The impact on shareholders' equity and the net earnings for the period of a hypothetical positive and negative change of the Euro/yen exchange rate of 10% applied during the period would not be significant.

RISK FACTORS

However, it cannot be ruled out that significant future changes in exchange rates may generate negative effects on Snam Group's operations, balance sheet and cash flow, irrespective of the policies for hedging the risk resulting from exchange rate fluctuations through the financial instruments on the market put in place by Snam.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

1.8.19 Credit risk

Credit risk is Snam Group's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial position and results of the Snam Group.

For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any possible disputes is handled by the business units and the centralised Snam departments.

Snam provides business services to a small number of operators in the gas sector, with Eni the largest by revenue. The rules for client access to the services offered are established by AEEGSI and set out in the Network Codes. For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in providing said services and contain contractual conditions, which reduce the risk of non-compliance by the clients. In certain cases, the Network Codes require guarantees to be provided to partly cover obligations where the client does not possess a credit rating issued by one of the leading international agencies. The regulations also contain specific clauses that guarantee the neutrality of the entity in charge of balancing, an which has been carried out since 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, balancing gives Snam Rete Gas an obligation to acquire, according to criteria of financial merit, the resources necessary to guarantee the safe and efficient movement of gas from entry points to withdrawal points, in order to maintain a constant balance in the network, procure the necessary storage resources for covering imbalances for individual users and adjust the relevant income statement items.

Snam's maximum exposure to credit risk as of 31 December 2015 is represented by the book value of the financial assets recorded in the consolidated financial statements of the Snam Group from 31 December 2015 (the "2015 Financial Statements"). As shown in Note 8 "Trade and other receivables" of the 2015 Financial Statements, overdue and non-written down receivables on 31 December 2015 came to €251 million (€254 million on 31 December 2014) and mainly refer to the storage segment (€105 million), principally comprising VAT billed to users for the use of strategic gas unduly withdrawn in 2010 and 2011; the distribution segment (€82 million), relating mainly to relations with gas marketing companies for the distribution service, covered by guarantee policies, and other receivables from the government; and the transportation segment (€64 million), mainly relating to moving fees and additional tariffs, for which no impairment loss is recognised as they revert to the Authority once they are collected.

Approximately 60% of trade receivables (46% on 31 December 2014) were with premium reliability clients, including Eni, which represents 28% of total trade receivables (25% on 31 December 2014).

It cannot be ruled out however, that Snam may incur liabilities and/or losses from the failure of its clients to comply with payment obligations, particularly given the current economic and financial situation, which makes

RISK FACTORS

the collection of receivables more complex and critical. Snam's maximum exposure to credit risk as of 30 June 2016 is the book value of the financial assets on its balance sheet.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

1.8.20 Liquidity risk. Risks associated with borrowing requirements

Liquidity risk is the risk that new financial resources may not be available (liquidity risk funding) or that the Demerged Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern.

The Demerged Company has access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the EIB and bonds).

Snam's objective is to maintain a debt structure that is balanced in composition between bonds and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

On 31 December 2015, Snam had unused committed long-term credit lines worth approximately €3.95 billion. In addition, Snam has a Euro Medium Term Notes (EMTN) programme for a maximum total value of €12 billion, of which approximately €9.7 billion was utilised as of 31 December 2015 (approximately €9.5 billion as of 30 June 2016). The EMTN programme matured on 30 June 2016 and was renewed on 4 October 2016.

On 30 June 2016, Snam had unused committed long-term credit lines worth approximately €3.7 billion.

Under the financial plan, Snam's risk management system aims to establish a financial structure that, in line with the business objectives, ensures sufficient liquidity for the Group, minimising the relative opportunity cost and maintaining a balance in terms of the duration and composition of the debt.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

1.8.21 Rating risk

At the Information Document Date, Snam's long-term rating is: (i) BBB+, according to Fitch Ratings ("Fitch"); (ii) Baa1, according to Moody's Investors Services Ltd. ("Moody's"); and (iii) BBB, according to Standard & Poor's Rating Services ("S&P").

After the Transaction was announced to the market and after taking into account the relevant effects, Fitch confirmed a BBB+ rating with a stable outlook for Snam's long-term debt on 29 June 2016. Moody's confirmed a Baa1 with a stable outlook rating and S&P, in the context of a study issued on 29 June 2016, which is not a rating action pursuant to the applicable European regulation relating to the rating agencies, stated that the Transaction announced to the market would not have impacted Snam's rating in anyway (BBB rating with

RISK FACTORS

a stable outlook). Afterwards, the three agencies confirmed Snam's rating again: Moody's on 5 July 2016, Fitch on 29 July 2016 and S&P on 26 September 2016.

The main elements that led to the confirmation of the rating are (i) the improvement of the credit metrics immediately after the Transaction, (ii) Snam's confirmed focus on the regulated business in Italy, considered as stable and favourable with minimum exposure to the volatility of the gas transportation volumes and (iii) the resilience of the financial metrics in stress test featuring a reduction in regulatory output.

Snam's long-term rating from Moody's and S&P is one notch higher than that of the Italian Republic. Based on the methodology adopted by these ratings agencies, a downgrade by one notch in the current rating for Italy would indicate a probable corresponding downward revision in Snam's current rating.

The agencies Fitch, Moody's and S&P, which have assigned a rating to Snam, are all registered with ESMA.

Any downgrades in the rating assigned to the Snam Group, could limit the possibility of accessing the capital markets and increase the cost of raising funds and/or refinancing existing debt, with negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 5, Paragraphs 5.3 of this Information Document.

1.8.22 Risk of default and debt covenants. Risks associated with failure to comply with commitments envisaged in loan agreements

Default risk is the possibility that when certain circumstances occur, the lender may enact contractual protections that may result in the early repayment of the loan, thus generating a potential liquidity risk.

As of 30 June 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) commitments on whose basis the loan will be treated in the same way as the other non-secured loans (*pari passu*) and change of control provisions that limit the controlling interest of the borrower; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out.

The bonds issued by Snam as of 30 June 2016 as part of the Euro Medium Term Notes programme provide for compliance with commitments that reflect international market practices regarding, inter alia, negative pledge and *pari passu* clauses.

Failure to comply with these commitments, and the occurrence of other events, some of which are subject to specific threshold values such as cross-default events could give rise to a default by Snam and potentially trigger the early repayment of the related debt. Exclusively for the EIB loans, the lender has the option to request additional guarantees, if Snam's rating is downgraded to BBB- (Standard & Poor's/Fitch Ratings Limited) or Baa3 (Moody's) by at least two of the three ratings agencies. The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam Group's operations, results, balance sheet and cash flow, thus determining additional costs and/or liquidity problems.

RISK FACTORS

These commitments do not include covenants, which envisage compliance with the proportion of capital to profit/loss.

At the Information Document Date, no events have occurred such as to imply breach of the aforesaid contractual obligations.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

1.8.23 Risks associated with legal proceedings and disputes

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. Based on the information currently available, and taking into account existing risks, Snam believes that said proceedings and actions will not have negative effects on its consolidated financial statements, given the provisions set aside in relation to the proceedings, pursuant to Snam's policies.

As regards legal disputes we report that the total amount of the associated provisions as of 30 June 2016 was €39 million (€34 million on 31 December 2015).

If said judicial proceedings conclude unfavourably for Snam and the provisions set aside are not sufficient to cover the losses resulting from the outcome of the legal proceedings under way, there could be negative effects on Snam Group's operations, results, balance sheet and cash flow.

For more information, please see Chapter 3, Paragraph 3.5 of this Information Document.

1.8.24 Risk of interest rate changes and risks associated with inflation and deflation

Fluctuations in interest rates affect the market value of a company's financial assets and liabilities as well as its net financial expense.

As of 30 June 2016 the Snam Group uses external financing in the form of bonds and bilateral loan agreements and loans syndicated with banks and other lenders, under the form of medium-long-term borrowing and banking credit lines at rates indexed to market reference rates, in particular the Euribor, and fixed interest rates.

The exposure to interest rate risk on 31 December 2015 equated to about 36% of the total exposure of the group (31% on 31 December 2014). The exposure to interest rate risk as of 30 June 2016 amounts to about 38% of Snam Group's total exposure (36% on 31 December 2015). On 30 June 2016 Snam had in place an Interest Rate Swap (IRS) derivative contract, relating to a fixed rate bond of €500 million with maturity 2023. The IRS contract converts the fixed rate loan into a variable rate loan.

The impact on shareholders' equity and the net earnings for the period of a hypothetical positive and negative change of the interest rate of 10% applied during the period would not be significant.

Although Snam Group has an active risk management policy, an increase of interest rates relating to the variable rate debt not subject to rate risk hedging could have negative effects on the operations, cash flow and balance sheet of the Snam Group.

RISK FACTORS

Changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results. Any change caused by inflationary or deflationary processes could have a significant impact on Snam's results.

For more information, please see Chapter 7, Paragraphs 7.1 and 7.3 of this Information Document.

2. INFORMATION ABOUT THE DEMERGER

2.1 Overview of the Demerger's methods and time frames

2.1.1 Description of the Companies Participating in the Demerger

A) Demerged Company

Introduction

Snam is Europe's leading operator in the integrated creation and management of natural gas infrastructure, and a leading European player in its sector in terms of RAB (*Regulatory Asset Base*).

As an integrated operator, Snam provides natural gas transportation and dispatching, storage and distribution services and LNG regasification services, and plays a major role in the natural gas infrastructure system.

Snam operates in Italy through four wholly-owned direct subsidiaries: respectively, Snam Rete Gas, Gnl Italia, Stogit and Italgas Reti²⁰.

Snam operates in Europe's major energy corridors through agreements with and equity investments in the leading industry players. Specifically, Snam holds equity investments in the UK company Interconnector UK Ltd. (a joint venture with Fluxys SA), French company TIGF SA, Austrian company Trans Austria Gasleitung GmbH ("TAG") and Swiss company Trans Adriatic Pipeline AG ("TAP").

In 2015, Snam bought a 20% stake in TAP, the company responsible for developing the Southern Gas Corridor as a key channel enabling gas produced in Azerbaijan to be transported to European markets. This transaction marked a further significant step in the international growth strategy begun by Snam in 2012 with the acquisition of 31.5% of Interconnector UK in a joint venture with Fluxys, and continued in 2013 and 2014 with the respective acquisitions of 45% (now 40.5%) of TIGF in France, with a view to strengthening the Group's leading position among European infrastructure operators, and 84.47% of TAG, the company that owns the Austrian section of the pipeline between Russia and Italy. TAG is a key asset in the East-West energy corridor, partly because of a potential reverse flow to Central Europe.

On 22 September 2016, Snam in association with Allianz, the leading European insurance group, on the one side, and with the Austrian company OMV and OMV Gas & Power GmbH ("OGP"), on the other side, signed an agreement for the purchase of 49% of Gas Connect Austria GmbH ("GCA"). The purchase will be completed through a jointly-controlled special purpose vehicle in which Allianz and Snam respectively own 60% and 40%, which is underwritten by a pool of international credit institutions non-recourse binding obligations for up to €310 million. Based on the terms of the transaction, the total fee paid by the consortium to OMV shall amount to €601 million. The Closing of the Transaction is expected to take place by the end of 2016 and is subject to the authorisation of the German and Austrian antitrust authorities.

Snam Rete Gas is also a partner in PRISMA, an international project involving 37 European gas transportation operators from 16 countries. Its goal is to encourage harmonised service delivery and access rules and to

²⁰ The operational company previously called Italgas S.p.A., which as from the date of filing with Borsa Italiana of the request for admission to trading took the name of Italgas Reti S.p.A.

facilitate the creation of a single European natural gas market by offering transportation capacity through a single shared digital platform.

Please see Paragraph 2.3.2 below of this Information Document for a description of the activities that will be carried out by the Demerged Company.

Name, legal form, registered office and share capital

Snam, with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), has the tax code and Milan Companies Register No. 13271390158.

As at the Information Document Date, Snam's fully subscribed and paid-up share capital was €3,696,851,994.00, comprising 3,500,638,294 ordinary shares with no par value.

The rights of the shareholders are outlined in the bylaws, specifically Artt. 5, 6, 10 and 12.

Pursuant to Art. 5 of Snam's Bylaws, the Shareholders' Meeting can resolve upon capital increases and determine their time frames, conditions and methods. The share capital can be increased through contributions in kind and of receivables, and by issuing bonus shares, including special classes of share, pursuant to Art. 2349 of the Civil Code.

The shares are registered and indivisible, and each share entitles the holder to one vote.

As at the Information Document Date, the Shareholders' Meeting has only issued ordinary shares.

Pursuant to Art. 21 of Snam's Bylaws, and in compliance with the law, the Board of Directors prepares the financial statements at the end of each financial year.

The net profit reported in the duly approved financial statements shall be allocated as follows:

- up to 5% to the legal reserve until it reaches the limit set by law;
- the remainder to shares, unless otherwise decided by the Shareholders' Meeting.

Dividends not collected within five years from the date on which they became payable revert to the Demerged Company. Interim dividends may be distributed in accordance with the law.

Lastly, Art. 22 of Snam's Bylaws states that the liquidation and wind-up of the Company is governed by the relevant laws.

No. shares have been issued entitling the holders to special rights, and there are no share ownership schemes in place for managers and employees.

Restrictions of voting rights or share transfers

The Bylaws of the Demerged Company make no provision for restrictions or limitations to the transfer of ownership of Snam shares. The provisions of law described below impose certain restrictions on the transfer and ownership of shares.

Unbundling Regulation

The Prime Ministerial Decree of 25 May 2012 provided for the creation of an ownership unbundling system extended to all regulated natural gas transportation, distribution, storage and regasification activities, and for the sale by the then controlling shareholder, Eni, of its entire equity investment in Snam, in view of its status as a producer and seller of energy.

In accordance with these provisions, on 15 October 2012, CDP Reti²¹ (then a wholly owned subsidiary of CDP) purchased from Eni 30% less one share of the share capital of Snam. Eni subsequently reduced its equity investment, and currently holds 792,619 Snam ordinary shares, equivalent to approximately 0.02% of the share capital.

The Prime Ministerial Decree also states that CDP should guarantee the independence of and full separation between Eni and Snam. To that end, Art. 2 of the Prime Ministerial Decree stipulates that:

- (i) even if Snam is included in CDP's "separate management" activities, all decisions relating to the management of equity investments in Snam shall be adopted by the Board of Directors of CDP as if the equity investment were part of its "ordinary management" operations, meaning that the MEF will have no power to guide such decisions and the members of the Board of Directors of CDP in charge of "separate management" activities will not be able to influence them;
- (ii) the members of the management and control bodies and the executives of Eni and its subsidiaries may not be part of the corporate bodies of or hold executive offices at CDP or Snam and their subsidiaries, nor may they enter into any direct or indirect professional or financial relationship with said companies, and vice versa.

Pursuant to the Prime Ministerial Decree, the voting rights attached to shares acquired (including through deeds, transactions or agreements of any kind), as well as to any shares already held, directly or indirectly, by gas and/or electricity producers or suppliers or by their parents, subsidiaries or associates pursuant to the Civil Code, or any powers of appointment pertaining to them, shall be restricted in compliance with the provisions of Art. 19 of Legislative Decree 93/2011. Said Art. states that the same natural or legal person cannot:

- (i) exercise control, directly or indirectly, over an undertaking that produces or supplies natural gas or electricity and at the same time exercise control or rights, directly or indirectly, over a natural gas or electricity transmission system operator or over a natural gas or electricity transmission system;

²¹ On 27 November 2014, SGEL acquired 35% of CDP Reti.

- (ii) appoint members of the supervisory board, the Board of Directors or the bodies that legally represent the Company within a transportation system operator or a transportation system and, simultaneously, directly or indirectly control or hold rights over natural gas production or supply operations.

As a result of the legislative changes and the consequent loss of Eni's control over Snam, on 14 November 2013, following the issuance of the opinion of the European Commission, the AEEGSI adopted Resolution 515/2013/R/gas, implementing its decision to definitively certify Snam Rete Gas as a natural gas transportation system operator under the ownership unbundling regime.

By virtue of the aforementioned regulation, shareholders that produce and sell gas and/or electricity are forbidden from exercising voting rights at Shareholders' Meetings, without prejudice to their dividend rights related to the Snam shares they hold.

Special Powers of the State

Decree-Law No. 21 of 15 March 2012, converted by Law No. 56 of 11 May 2012 ("Decree-Law 21/2012"), provides legislation on special powers relating to corporate structures in the national security and defence sectors, as well as to strategic energy, transport and communications activities. The Decree covers the governance of the "special powers", redrafting when and how the State can exercise special powers in relation to privatised companies, in an attempt to bring national legislation in line with the Treaty on the Functioning of the European Union.

In summary, with regard to the energy sector, the Decree entitles the Government to:

- (i) veto resolutions, deeds or transactions that are adopted by companies in possession of strategic energy assets and which result in the loss of control or availability of said assets or a change in their usage, in the event whereby said resolutions, assets or transactions give rise to an exceptional situation, not disciplined by national and European sector regulations, threat, serious prejudice for public interests relating to security and the operation of networks and plants and the continuity of supply.
- (ii) impose obligations on or block non-EU entities attempting to acquire controlling interests in the aforementioned companies.

Pursuant to Law Decree 21/2012, Snam is required to notify any changes in the ownership, control, availability or purpose of networks, plants, goods and relations of strategic importance to the national interest ("Significant Assets").

For the sake of completeness, networks, plants and assets pertaining to the transportation, storage and regasification businesses come under the definition of Significant Assets, meaning that notification pursuant to Law Decree 21/2012 is required in the event of changes to their ownership, control, availability or usage. The distribution business, however, is excluded from the scope of Law Decree 21/2012 and its implementing decrees.

This notification must be made by the Company to the Prime Minister within 10 days, and in any case no later than the implementation of the resolution, deed or transaction that affects the Significant Assets. Resolutions passed by the Shareholders' Meeting or the management bodies concerning the transfer of subsidiaries that

hold the aforementioned Significant Assets must be reported within the same time frame. Within 15 days of the notification, the Prime Minister may, by issuing a decree adopted pursuant to a resolution of the Council of Ministers:

- (i) declare a veto;
- (ii) impose specific provisions or conditions, if this is sufficient to ensure the protection of the public interest.

Where it becomes necessary to request information from the company, such term is suspended, for one single time, until receipt of the required information, which shall be provided within the term of 10 days. Subsequent requests for information after the first do not suspend the terms. Until the notification is issued and in any case until the time frame has expired, the resolution, act or significant transaction in question shall be suspended.

If 15 days have passed since the notification and the Prime Minister has not adopted any measures, the operation may be carried out.

The power of veto is expressed in the form of imposing specific conditions whenever that is sufficient to ensure protection of the public interest in terms of the security and operation of the grid and systems and continuity of supply. Provisions or actions or operations adopted in violation of the right of veto shall be invalid. The Government may also order the company and any counterparty to restore the prior situation at its own expense. Unless where it forms a crime, whoever fails to observe the provisions regarding exercise of the power of veto shall be subject to a monetary corporate fine up to twice the value of the transaction and in any event no less than 1% of the cumulative turnover realised by the companies involved in the last period for which the financial statements have been approved.

In accordance with the same procedures and time frames, notification must also be made if the acquisition of equity investments in companies that hold Significant Assets (such as Snam) by non-EU entities results in a stable holding for the acquirer, due to its acquisition of control of the company. If the acquisition poses the threat of serious harm to the fundamental interests of the State, the Prime Minister may:

- (i) make the validity of the acquisition subject to the acquirer's assumption of commitments intended to guarantee the protection of the aforementioned interests;
- (ii) block the acquisition in exceptional cases involving risks to the protection of the aforementioned interests that cannot be eliminated through the assumption of specific commitments.

The law also provides that such powers may be exercised “exclusively on the basis of objective and non-discriminatory criteria”, indicated in Art. 2, paragraph 7 of Law Decree 21/2012.

Until the expiry of the term for imposing conditions or for the exercise of the power of opposition, rights to vote and rights that do not affect equity, associated with shares or stock represent a significant holding, shall be suspended. Where the Presidency of the Council of Ministers exercises the power to impose conditions, in the case of potential violation of the conditions on the purchaser, for the entire period during which the violation endures rights to vote and rights that do not affect equity, associated with shares or stock represent a significant holding, shall be suspended. Resolutions potentially adopted by a casting vote of such shares or stock, and

resolutions or actions adopted in violation of the conditions imposed shall be invalid. Unless where it forms a crime, whoever fails to observe the commitments envisaged in relation to such acquisitions of holdings shall be subject to a monetary corporate fine up to twice the value of the transaction and in any event no less than 1% of the cumulative turnover realised by the companies involved in the last period for which the financial statements have been approved.

If the Presidency of the Council exercises the power to oppose the acquisition of the holding, the transferee may not exercise rights to vote and those not relating to equity, associated with shares which represent a significant holding, and must transfer the same shares within one year. In the absence of compliance, the court shall order the sale of the aforesaid shares according to the procedures envisaged by Art. 1359-ter of the Civil Code on the application of the Presidency of the Council of Ministers. Any shareholders' decisions adopted by a casting vote of such shares shall be invalid.

Amendments to the bylaws related to or resulting from the Demerger

The bylaws of the Demerged Company will not be amended, except for amendments that will be made to Art. 5 in order to reflect the reduction in the share capital of the Demerged Company on completion of the Demerger.

Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

In particular, as a result of the Demerger, provision has been made for the following changes to the Bylaws of the Demerged Company, which will take effect on the Demerger Effective Date.

Art. 5 - Share capital

The current text of Art. 5, paragraph 1 reads as follows: *“The share capital is €3,696,851,994.00 (three billion six hundred and ninety-six million eight hundred and fifty-one thousand nine hundred and ninety-four), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value”*.

As a result of the Demerger, the share capital of the Demerged Company will be reduced by €961,181,518.44, to €2,735,670,475.56.

Following the Demerger, Art. 5.1 of the bylaws of the Demerged Company will read as follows: *“The share capital is €2,735,670,475.56 (two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point five six), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty eight thousand two hundred and ninety four) shares with no par value”*.

For more information about the effects of the Demerger on the shareholders' equity of the Demerged Company, please see Chapter 2, Paragraph 2.2.1 of this Information Document.

Admission to trading

Shares of Snam are admitted to trading on the MTA.

Term and financial year

The Demerged Company is established until 31 December 2100, and this term can be extended by the Shareholders' Meeting.

The Demerged Company's financial year ends on 31 December.

Corporate purpose

“2.1 The corporate purpose is to exercise, directly and/or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated activities involving transportation, dispatching, distribution, regasification and storage of hydrocarbons, as well as any other economic activity that is linked through whatever degree of importance to one or more of the above-mentioned activities, including the production of hydrocarbons associated with activities for storage thereof, the storage of other gases, the activity of energy metering, and the management of organised gas markets; all in observance of the concessions provided for by law.

2.2 For the purposes of pursuing the corporate purpose and to the effects thereof, the Company:

- *may take all actions necessary or appropriate to the achievement of the corporate purpose; by way of example, industrial, commercial, securities, property and financial operations, and any activity that is connected with the achievement of the corporate purpose, including technical and scientific research and the acquisition of technical patents related to the activities carried out and the study, design, construction, acquisition, management and operation of complex transportation systems, transportation infrastructure, information technology and telecommunications, with the exception of the collection of public savings and the performance of activities regulated by the financial intermediation laws;*
- *shall carry out the technical, industrial and financial coordination of the investee companies and the provision of the appropriate financial assistance and services in favour of the investee companies;*
- *may engage in activities connected with the protection and remediation of the environment and land conservation;*
- *will comply with the principles of equal treatment of users, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the law. In particular, the Company, in accordance with the principles of cost-effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate purpose with the intention of promoting competition, efficiency and the appropriate levels of quality in providing the services. To this end, it:*
 - *ensures impartiality in the management of essential infrastructures for the development of a free energy market;*
 - *prevents discrimination in the access to commercially sensitive information;*

- *prevents the exchange of resources between segments of the supply chains.”*

Shareholders

Please see Paragraph 2.1.4 of this Information Document for a description of the ownership structure of the Demerged Company as at the Information Document Date.

Composition of corporate bodies and audit engagement

The members of the Board of Directors, appointed by the Shareholders’ Meeting of 27 April 2016 for the financial years 2016-2018, are the following:

Name	Role
(Carlo Malacarne)	Non-executive Director and Chairman
Marco Alverà	Chief Executive Officer
Sabrina Bruno ⁽¹⁾	Non-executive Director
Monica de Virgiliis ⁽¹⁾	Non-executive Director
Francesco Gori ⁽¹⁾	Non-executive Director
Yunpeng He	Non-executive Director
Lucia Morselli ⁽¹⁾	Non-executive Director
Elisabetta Oliveri ⁽¹⁾	Non-executive Director
Alessandro Tonetti	Non-executive Director

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

The members of the Board of Statutory Auditors appointed by the same Shareholders’ Meeting for 2016-2018 are the following:

Name	Role
Leo Amato	Standing Auditor, Chairman
Massimo Gatto	Standing Auditor
Maria Luisa Mosconi	Standing Auditor
Sonia Ferrero	Alternate Auditor
Maria Gimigliano	Alternate Auditor

On 11 May 2016, in accordance with the provisions of the Code of Corporate Governance, the Snam Board of Directors appointed the members of the Control, Risk and Related-Party Transactions Committee, the Compensation Committee and the Appointments Committee, and set up the Sustainability Committee, which makes recommendations to and advises the Board of Directors on matters pertaining to corporate social responsibility.

The Committees comprise the following members:

Control, Risk and Related-Party Transactions Committee

Elisabetta Oliveri^(*) (Chairman), Sabrina Bruno^(*), Lucia Morselli^(*)

Compensation Committee

Monica de Virgiliis (*) (Chairman); Elisabetta Oliveri (*); Alessandro Tonetti (**)

Appointments Committee

Francesco Gori (*) (Chairman); Monica de Virgiliis (*); Alessandro Tonetti (**)

Sustainability Committee

Sabrina Bruno (*) (Chairman); Lucia Morselli (*); Yunpeng He (**)

The Board of Directors has certified that at least one member of the Control, Risk and Related-Party Transactions Committee and the Compensation Committee fulfils the requirements set out in the Code of Corporate Governance.

(*) Independent non-executive director

(**) Non-executive director

The audit firm is EY, which was appointed by the Shareholders' Meeting of 27 April 2010 for the financial years 2010-2018.

The External Auditors issued a Report on the financial statements and the consolidated financial statements as at 31 December 2015 and on the condensed interim consolidated financial statements as at 30 June 2016. The reports containing the opinions expressed by the External Auditors are available to the public, at the places indicated in Chapter 2, Paragraph 2.4 of this Information Document.

Monetary incentive plans

As at the Information Document Date, the Demerged Company has no share incentive plans involving Snam shares.

Long-term variable incentives

Snam has two types of plans in place:

- (i) the Deferred Monetary Incentive Plans (“DMI Plans”), reserved for managers of the Demerged Company who met their predefined individual targets in the previous year and are eligible for the Leadership Development Program²², which award a basic incentive to be paid out after three years depending on the Company's performance during that period. This performance is calculated as the average Snam Group EBITDA in the three-year period measured in comparison to budget forecasts. The DMI Plans aims to motivate and retain managers, as well as establish a closer tie between targets, performance and incentives.

²² The Leadership Development Program is a programme dedicated to the development of human resources showing constant performance, a strong passion for work and courage in breaking new ground and aims to accelerate the growth of participants. The access to the program is selective and the participation in the program is confirmed every year on the basis of the targets achieved.

- (ii) the long-Term Monetary Incentive Plans (“LTMI Plans”), for the Chief Executive Officer, managers with strategic responsibilities and other managers that have a greater impact on the corporate results. Such plans are a tool to incentivise management and increase loyalty and provide for the annual allocation of a basic incentive award to be paid after three years and vary according to performance criteria relating to:
 - (a) adjusted net income as compared with to the adjusted net income forecast in the budget (with a weighting of 60%);
 - (b) performance of the Total Shareholder Return as compared to the performance of the Total Shareholder Return of a peer group (with a weighting of 40%).

The LTMI Plans are intended to support corporate profitability and guarantee a greater alignment to the interests of shareholders in the medium- to long-term.

Short-term variable incentives

Snam has also adopted an incentive plan involving an annual pay-out aimed at motivating and focusing managers in the short term, in line with the corporate objectives set out by the Board of Directors. The amount of the short-term incentive depends on the position held and company and individual performance in the previous year.

With reference to the Long-term and Short-term Variable Incentives Plan for the Chief Executive Officer and managers with strategic responsibilities, see the 2016 Remuneration Report of Snam (www.snam.it).

B) Beneficiary Company

Introduction

The Beneficiary Company was founded on 1 June 2016, specifically to implement the Demerger; as at the Information Document Date, its share capital is wholly owned by Snam. Since its incorporation, the Beneficiary Company’s only activities have been related to the Demerger, and this is not expected to change until the Demerger Effective Date.

The appointment of the members of the Board of Directors and the Board of Statutory Auditors of Italgas was made by the Shareholders’ Meeting which was held on 4 August 2016 with effect from the date of the actual Meeting.

Please see Chapter 2, Paragraph 2.3.3 and Chapter 3 of this Information Document for a description of the activities that will be carried out by the Beneficiary Company post-Demerger.

Name, legal form, registered office and share capital

Italgas S.p.A. (previously called ITG Holding S.p.A.), a company established on 1 June 2016, with its registered office at Via Carlo Bo, 11, Milan, VAT and Milan Companies Register No. 09540420966.

The shareholders' meetings of the companies participating in the demerger called for the approval of the Demerger Plan, respectively on 1 August 2016 (Snam) and 4 August 2016 (Italgas), approved the change of name and registered office of the Beneficiary Company with regard to the right already indicated in said Demerger Plan. Therefore, starting from the date the request for admission to trading on Borsa Italiana, the Beneficiary Company took the name of Italgas S.p.A. and transferred its registered office to Via Carlo Bo, 11, Milan. The operational company previously called Italgas S.p.A., as from the date of filing with Borsa Italiana of the request for admission to trading took the name of Italgas Reti S.p.A.

As at the Information Document Date, the subscribed and paid-up share capital was € 50,000, comprising 50,000 ordinary shares with no par value.

Amendments to the bylaws related to or resulting from the Demerger

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA. On 4 August 2016, the Beneficiary Company's Shareholders' Meeting approved the Demerger and also resolved upon adopting, effective from the date of filing the request for admission to trading with Borsa Italiana, bylaws that comply with the provisions for listed companies in the Consolidated Finance Act and the relevant implementing regulations.

These bylaws, which are attached to the Demerger Plan under Annex 1, will be substantially aligned with those governing Snam post-Demerger, except for what follows below and notwithstanding that the Beneficiary Company's shares will give their holders the same rights as those granted by shares in the Demerged Company.

Art. 2 of the bylaws of Italgas will be amended slightly compared to Art. 2 of Snam's bylaws in order to promptly bring the corporate purpose of the Beneficiary Company into line with the business it will perform after the Demerger. Therefore, the Beneficiary Company's corporate purpose will be to exercise, directly and/or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated gas sector activities, and in particular the distribution and metering of all kinds of gas in all its applications. The Beneficiary Company will also be able to perform any other economic activity fundamentally or tangentially linked to one or more of the above-mentioned activities (and therefore, by way of example and to the extent permitted by the rules for the sector in force from time to time, any activity included in the gas and hydrocarbons industry in general), as well as any activity that can be performed using the same infrastructure as said aforementioned activities.

In addition, in line with the change in the corporate purpose, the authorisation by the Shareholders Meeting will no longer be required to approve decisions concerning the sale, transfer, leasing, usufruct or any other act of disposal, including by way of a joint venture, or restrictions on the disposal of the company or strategic business units involved in activities relating to the transportation and dispatching of gas.

Art. 12.4 of Snam's bylaws, which requires a qualified majority to approve the resolutions of the Extraordinary Shareholders' Meeting, will also be eliminated.

In addition, Art. 5 of the bylaws of Italgas will be amended to reflect the share capital increase (i) totalling €40,000,000.00 as a result of the Contribution, and (ii) totalling €961,181,518.44 as a result of the Beneficiary Company being allocated the Demerged Assets and Liabilities. The share capital of the Beneficiary Company will therefore total €1,001,231,518.44, comprising 809,135,502 shares with no par value, of which

699,902,209 will be awarded to Snam shareholders as a result of the Demerger (an additional 225,450 shares will be awarded to Snam in exchange for the treasury shares held by Snam).

As such, following the Demerger, the new Art. 5 of the bylaws of the Beneficiary Company will read as follows: “*The share capital is €1,001,231,518.44 (one billion one million two hundred and thirty-one thousand five hundred and eighteen point forty-four), divided into 809,135,502 (eight hundred and nine million one hundred and thirty-five thousand five hundred and two) shares with no par value*”.

Lastly, Art. 13 of the bylaws of Italgas as to the appointment of the Board of Directors of the Beneficiary Company will be amended to provide for a mechanism whereby the lists allow for the appointment of nine members, where seven are taken from the first list by number of votes and two are taken from the minority lists, using a proportional mechanism (quotients), as described in the Paragraph “Governance of Italgas” below. This mechanism shall apply starting from the renewal of the Board of Directors of Italgas, *i.e.* after three years from the first appointment of the Board of Directors of the Beneficiary Company.

Shareholders’ Agreement

On 28 June 2016, Snam’s Board of Directors voted to enter into the Memorandum of Understanding that provides that Snam sign the Shareholders’ Agreement with CDP Reti and CDP Gas, relating to its 13.50% stake in the Beneficiary Company. On the same date, the boards of directors of CDP (also on behalf of CDP Gas) and CDP Reti also voted to enter into the Memorandum of Understanding that provides that CDP Reti and CDP Gas sign the Shareholders’ Agreement relating to their 26.05% stake in the Beneficiary Company.

The Shareholders’ Agreement was entered into by Snam, CDP Reti and CDP Gas on 20 October 2016 (with effective date from the Demerger Effective Date).

Please see Chapter 2, Paragraph 2.6.2 of this Information Document for information about the Shareholders’ Agreement.

Governance of Italgas

Italgas has adopted a traditional governance model. In addition, Italgas intends to adapt, subject to the conditions precedent at the start of trading of its shares, its own system of corporate governance to the recommendations of the Code of Corporate Governance, as described in more detail in Chapter 3, Paragraph 3.6.1 of this Information Document

The bylaws of Italgas that will enter into effect on the date of filing the request for admission to trading with Borsa Italiana provide as follows:

Board of directors

The Beneficiary Company's Board of Directors is composed of nine members,²³ of whom (i) three must belong to the least-represented gender in compliance with the Code of Corporate Governance, and (ii) at least three are independent directors in compliance with relevant national and international best practice. The Board of Directors is validly convened if the majority of its members is in attendance. Resolutions are adopted by the majority of Directors in attendance and, in the event of a tie, the Chairman's vote will prevail.

If not already appointed by the Shareholders' Meeting, the Board of Directors will appoint the Chairman among its own members, who will perform the duties and functions set out in the law and the bylaws.

Pursuant to Art. 16.1 of the Italgas Bylaws: *“The Board of Directors is invested with full powers for ordinary and extraordinary management of the Company and, in particular, may take all actions it deems necessary for the implementation and achievement of the corporate purpose, excluding only acts that the law or these Bylaws reserve to the Shareholders' Meeting. The Board of Directors may delegate its powers to one or more of its members, determining the limits of delegation pursuant to Art. 2381 of the Civil Code and appointing the Chief Executive Officer. The Board of Directors may, in any case, issue directives to the Chief Executive Officer and re-assume responsibility for activities delegated. The Board of Directors may also revoke the powers granted at any time, proceeding, in the event of revocation of the powers delegated to the Chief Executive Officer, to appoint a new Chief Executive Officer. The Board, upon proposal of the Chairman, send in consultation with the Chief Executive Officer, may confer powers for single acts or categories of acts to other members of the Board of Directors. The Chairman and the Chief Executive Officer, within the powers conferred on them, may grant proxies and powers of attorney of the Company, for single acts or categories of acts, to employees of the Company and also third parties.”*

On 4 August 2016, the Board of Directors elected to grant the CEO all functions and powers not reserved for the board or the chairman by law, the bylaws or board deliberation.

On 4 August 2016 the Board of Directors set up the following Committees in accordance with the provisions of the Code of Corporate Governance and the bylaws: (i) Appointments Committee; (ii) Compensation Committee; (iii) Control, Risks and Related-Party Transactions Committee; and (iv) Sustainability Committee.

At the date of the first renewal of the corporate bodies of Italgas, *i.e.* three financial years after the first appointment of the corporate bodies of the Beneficiary, the directors will be elected pursuant to Art. 13 of the by-laws of the Beneficiary Company below:

- a) from the list that obtains a majority vote of the shareholders, seven directors will be taken, in the consecutive order that they appear on said list;

²³ On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Directors. The Board of Directors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 shall remain in office for three fiscal years, until the date of the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2018 fiscal year. Consequently, the provisions of the bylaws that guarantee – pursuant to Art. 147 ter(3) of the TUF and the Shareholders' Agreement – that two directors are appointed from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting.

- b) the remaining two directors shall be taken from other lists that are not linked in any way, even indirectly, to the shareholders that presented or voted for the list coming first by number of votes. To this end, the votes received by the lists will be successively divided by one and two. The quotients thus obtained will be assigned progressively to candidates from each of these lists, according to the order shown therein. The quotients thus assigned to candidates from the different lists will be arranged in a single decreasing gradation. Those obtaining the highest quotients will be elected. If several candidates obtain the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes will be elected. If the voting on lists is tied and the quotient is also tied, the entire Shareholders' Meeting will be asked to vote again, and the candidate winning a simple majority of votes will be elected;

- c) if, after applying the procedure described above, the minimum number of independent directors required by the bylaws is not appointed, the quotient of votes to be attributed to each candidate taken from the lists is calculated by dividing the number of votes for each list by the consecutive number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by persons who meet the independence criteria and appointed in accordance with the procedure mentioned under e). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, alternatively, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced; if no Shareholder Lists have been submitted, the remaining three directors will be appointed by the Shareholders' Meeting in accordance with the legal majority, with the Excluded Relative Majority Shareholders still not allowed to take part in the vote.

- d) if the procedure described in points a) and b) above does not allow for compliance with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the consecutive number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned under e). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, alternatively, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;

- e) for the appointment of directors not appointed for any reason by the above procedures, the Shareholders' Meeting will resolve by legal majority to ensure that the composition of the Board of Directors is consistent both with the law and with the bylaws.

Board of Statutory Auditors

For a description of the Issuer's Board of Statutory Auditors as at the Information Document Date, please see Chapter 3, Paragraph 3.6 below of this Information Document.

Appointment of auditors

In conformity with legislative and regulatory obligations, on 4 August 2016, the Shareholders' Meeting of Italgas approved the appointment of the External Auditors to carry out the statutory audit for the nine-year period 2016-2024.

Governance of Italgas Reti

There are no changes planned for the governance structure of Italgas Reti as well as for the relevant statutory provisions following the Transaction. In line with the obligations undertaken by CDP through provision C11695 of 8 August 2012 Italgas Reti will continue to adopt a traditional governance model made up of a Board of Directors with 5 members and a Board of Statutory Auditors with 3 members.²⁴

In relation to the Board of Directors, Art. 16 of the Italgas Reti bylaws states as follows:

“The Board of Directors shall consist of five members; their term of office shall be established by the Shareholders' Meeting when the appointments are made.

Pursuant to the Decree of the President of the Council of Ministers of 25 May 2012, on “Criteria, conditions and procedures for adopting Snam S.p.A.'s separation of ownership model, pursuant to Art. 15 of Law no. 27 of 24 March 2012”, the directors cannot hold any office in the management or control body, nor can they hold any management functions at Eni S.p.A. or its subsidiaries, nor have any relations, direct or indirect, of a professional or financial nature with these companies.

Two of the five directors must meet the independence requirements of the Code of Corporate Governance for listed companies. The same two directors must not hold the office of Chairman or CEO nor, in any case, have executive powers.

Directors may not be appointed for a period of more than three financial years, whose term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term of office, and they may be re-elected.

²⁴ At the Information Document Date, the members of the Board of Directors and the members of the Board of Statutory Auditors of Italgas Reti, effective 28 September 2016, are the following:

- Paolo Gallo (Chairman), Paolo Luigi Bacchetta (CEO), Antonio Paccioretti (Director), Guido Corradi (Independent Director), Gianni Coda (Independent Director).
- Roberto Lonzar (Chairman), Stefania Mancino (Standing Auditor), Paolo Piccatti (Standing Auditor), Venanzio Cassi (Alternate Auditor), Gabriele Bisceglie (Alternate Auditor).

If, during the financial year, the office of one or more directors should be vacated, the other directors shall replace the director(s) in question by means of a resolution approved by the Board of Statutory Auditors, provided that the majority of the directors has still been appointed by the Shareholders' Meeting. The directors appointed in this way shall remain in office until the next Shareholders' Meeting.

If, for whatever reason, the majority of directors vacate their office, the entire Board is dissolved and those directors remaining in office shall call an emergency Shareholders' Meeting to appoint a new Board of Directors.”

For the sake of completeness, note that during the procedure related to C11695 concentration, Cassa Depositi e Prestiti/Snam, with which CDP acquired 30% less one share of the Snam voting capital (authorised with measure No. 23824 on 8 August 2012, the “Decision”), the AGCM had raised issues regarding the equity investments held (indirectly) by CDP in Italgas (via Snam) and in 2i Rete Gas (via F2i). According to AGCM, for such holdings, CDP would have had to have an incentive to coordinate the Italgas and 2i Rete Gas bids to maximise the value of such equity investments.

To overcome the critical issues referred to in the above point CDP had offered to amend the governance of 2i Rete Gas and Italgas in order to avoid CDP “interfering in the bidding process participation policy” of Italgas and 2i Rete Gas. The concentration was therefore authorised on the assumption that (i) changes to the Italgas governance aimed at emphasising the role of the independent directors in adopting the decisions, (ii) limitations would be applied to the flows of information relating to decisions on bidding processes between CDP and F2i and between CDP and Italgas and (iii) requirements of incompatibility between the office of member of the Board of Directors of Italgas or F2i Reti and the existence of any constraint with CDP²⁵ would be adopted.

In particular, ruling C11695 dated 8 August 2012 provided the following:

With reference to F2i

Limitations on flows of information

“(a) no member of the Board of F2i who is at the same time a member of the board or an employee of CDP, [may take] part in the discussion and voting for decisions of F2i relating to F2i Reti and concerning directly the natural gas distribution segment; (b) no member of the Investment Committee of F2i who is, at the same time a member of the board or an employee of CDP, [may take] part in activities of the Investment Committee relating to F2i Reti and directly concerning the natural gas distribution segment;”

Requirements of incompatibility

“(ii) no individual who is subject to employment or working independently with CDP, or is a member of the board of CDP, [may accept] positions in F2i Reti or in its subsidiary companies;”

²⁵ Note that, pursuant to the provision C11695 of 8 August 2012, there is no time limit to these changes to the governance powers of CDP. The changes should actually remain in existence until CDP, pursuant to the antitrust regulations, holds both the (indirect) controlling interest in Italgas and the (indirect) minority interest in 2i Rete Gas.

With reference to Italgas (now Italgas Reti)

Amendments to the Italgas Bylaws for reinforcing the role of independent directors in decisions concerning bidding processes

“(i) the obligation to prescribe in the Italgas Bylaws that (a) the Italgas board is made up of five members and that two members i) have the requirements of independence envisaged by the current version of the Code of self-regulation for listed companies; ii) do not hold the position of Chairman or CEO of the company or have management mandates;

(b) resolutions, taken by the board, in the five-member composition, relating to the identification of natural gas distribution tenders to participate in and the formulation of technical and financial bids for these tenders must be approved by four fifths of sitting directors;”

Requirements of incompatibility for the board members of Italgas Reti

“(ii) individuals who hold the following positions, as regards CDP, shall not be members of the board of Italgas: (a) a position as a member of a board of management or control; (b) employed or on an independent contract; (c) significant commercial, financial and professional relationships according to the associated notion as defined by the current version of the Code of self discipline for listed companies;

Limitations to flows of information between Italgas and Snam

(iii) within 60 days from the date of execution of the Contract, the Snam Board shall decide to maintain, and where necessary formalise (or have formalised) within Snam and Italgas significant internal documents, the rule, currently in place, according to which the Italgas activities and processes regarding the identification of tenders for the assignment of natural gas distribution service to participate in and the formulation of the technical and financial proposal for participation, shall not be subject to discussion or prior approval by the Snam BoD”

Therefore, the governance of Italgas Reti at the Information Document Date has the following features:

- (i) the number of members of the Board of Directors is set at five (as provided in Art. 16 of Italgas Reti By-laws²⁶);
- (ii) members of the Italgas Reti Board of Directors cannot:
 - a. be members of a management or control body of CDP;
 - b. work for CDP in salaried employment or as a freelancer; or
 - c. have significant commercial, financial or professional relations with CDP, as defined in the Code of Corporate Governance (as provided in the document “*Guidelines for the identification*

²⁶ See Art. 16: “*The Board of Directors comprises five members; their term of office is set by the Shareholders’ Meeting upon appointment.*”

of administration and control systems, composition and designation of members of corporate boards of companies held by Italgas”);

- (iii) two members of the Board of Directors must possess the independence requirements set out in the Code of Corporate Governance (as provided in Art. 16 of Italgas Reti By-laws)²⁷;
- (iv) the decisions of the Board of Directors on identifying natural gas distribution service tenders in which to participate and drafting the relevant technical and financial bids can be ratified only if at least four of the five serving directors vote in favour (as provided in Art. 20 of Italgas Reti By-laws²⁸); and
- (v) the activities and processes of Italgas Reti in relation to identifying natural gas distribution service tenders in which to participate and drafting the relevant technical and financial bids must not be subject to discussion or prior approval by the Snam Board of Directors (as provided in the document “*Attributions reserved ex Art. 2381 Civil Code exclusively for the Snam Board of Directors*”).

For completeness, note that: (i) the Transaction does not involve F2i, (ii) the Italgas Reti governance and also the related provisions of the bylaws have not undergone changes pursuant to the Transaction, (iii) the Italgas activities and processes for identifying tenders for the assignment of natural gas distribution to participate in and the formulation of the technical and financial proposal for participation shall not be subject to discussion or prior approval by the Italgas (formerly ITG Holding SpA) Board of Directors (as provided in the document “*Attributions reserved ex Art. 2381 Civil Code solely for the Italgas Board of Directors*”) and (iv) as at the Information Document Date Italgas has adopted the necessary measures in order to comply with the circumstances referred to in letter (ii) a), b) and c) above.

Admission to trading

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

Note that at any time, and therefore including following the approval of the Demerger Plan by the shareholders of the Companies Participating in the Demerger, the process for the admission of shares of the Beneficiary Company the trading on the MTA may be interrupted or suspended, where conditions are not suitable for proceeding with listing.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies’ Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

²⁷ See Art. 16: “Two of the five Directors must possess the requirements of independence laid down by the Code of Corporate Governance for listed companies. The same two must not hold the office of Chairman or CEO nor must they have management powers”.

²⁸ See Art. 20: “The resolutions within the remit of the Board of Directors relating to the identification of the tenders for the awarding of the natural gas distribution service in which to participate and the formulation of the related technical and financial bids must be approved only with the favourable vote of 4/5 of the members of the Board of Directors”.

The initial trading date for shares in the Beneficiary Company will be fixed by Borsa Italiana with suitable notice and will coincide with the Demerger Effective Date, which will fall on a trading day.

As at the Information Document Date, the Beneficiary Company does not foresee requesting admission to trading for its shares on other markets.

Term and financial year

The Beneficiary Company is established until 31 December 2100, and this term can be extended by the Extraordinary Shareholders' Meeting.

The financial year ends on 31 December.

Corporate purpose

The corporate purpose stated in Art. 2 of the bylaws of Italgas is in line with the corporate purpose stated in Art. 2 of the Bylaws of Snam.

Shareholders

As at the Information Document Date, the Beneficiary Company's share capital is wholly owned by Snam.

As stipulated in the Memorandum of Understanding, Snam, CDP Reti and CDP Gas entered into the Shareholders' Agreement on 20 October 2016 (with effective date from the Demerger Effective Date) relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of Italgas upon the outcome of the Transaction. The Shareholders' Agreement has a term of three years and is renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of governance which, following the implementation of the Transaction, shall apply to Italgas and Italgas Reti.

Please see Chapter 2, Paragraph 2.6.2 of this Information Document for more information about the Shareholders' Agreement.

Composition of corporate bodies and audit engagement

Please see Chapter 3, Paragraph 3.6 of this Information Document for information about the administrative and control bodies of the Beneficiary Company and the governance model adopted by the Beneficiary Company.

2.1.2 Methods, conditions and time frames of the Demerger

Type, methods, conditions and time frames of the Demerger

The Demerger will be implemented in conformity with Artt. 2506 *et seq.* of the Civil Code and in accordance with the terms and conditions contained in the Demerger Plan available to the public as indicated in Chapter 2, Paragraph 2.5 of this Information Document.

Specifically, the Demerger involves the partial and proportional demerger of Snam to Italgas, the share capital of which, as at the Information Document Date, is wholly owned by Snam. The Beneficiary Company is awarded the Demerged Company's 52.90% stake in Italgas Reti (please see Chapter 2, Paragraph 2.2.1 of this Information Document for a description of the assets and liabilities to be transferred to the Beneficiary Company as part of the Demerger).

The Demerger was approved by the shareholders' meetings of Snam and Italgas, respectively, on 1 August 2016 and 4 August 2016.

Pursuant to and in accordance with the combined provisions of Artt. 2506-*ter* and 2501-*quater* of the Civil Code, the statement of financial position of the Beneficiary Company at the date of its establishment, in other words 1 June 2016, approved by the Board of Directors of Italgas was prepared.

Availing itself of the option available under said Art. 2501-*quater* of the Civil Code, the Demerged Company has used the stand-alone financial statements for the year ended 31 December 2015, which were approved by the Demerged Company's Ordinary Shareholders' Meeting on 27 April 2016 (the "2015 Stand-alone Financial Statements").

The 2015 Financial Statements were made available to the shareholders and the public on 5 April 2016, in accordance with the methods described by law.

The Demerged Company will transfer the aforementioned asset to the Beneficiary Company at book value.

Method of granting shares of the Beneficiary Company

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company, free of charge, in proportion to the shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company (Italgas) for every five Snam shares held. Therefore, no monetary compensation is provided for.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, on 16 September 2016 Snam engaged an authorised intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

The shares of the Beneficiary Company will be awarded to entitled parties electronically using authorised intermediaries, starting from the Demerger Effective Date and according to the time frames and methods published with suitable notice to the public.

In exchange for the treasury shares held by Snam at the Information Document Date 1,127,250 in number, which will not be allocated, in addition to retaining the above shares, the Demerged Company will receive 225,450 shares of the Beneficiary Company.

In addition to such number of shares, the following should be taken into account (i) the Beneficiary Company shares held by Snam as at the Information Document Date, resulting from the incorporation of the Beneficiary Company (50,000), and (ii) the Italgas shares that will be awarded to Snam following the Contribution of its 8.23% stake in Italgas Reti to Italgas (108,957,843).

As a result of the above, Snam will hold 13.50% of the Beneficiary Company's share capital after the Transaction.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

At the Information Document Date, the conditions to which the Transaction is subject were verified.

Note that at any time, and therefore including following the approval of the Demerger Plan by the shareholders of the Companies Participating in the Demerger, the process for the admission of shares of the Beneficiary Company the trading on the MTA may be interrupted or suspended, where conditions are not suitable for proceeding with listing.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner.

At the time of the allocation, the shares of the Beneficiary Company will be admitted to trading on the MTA.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies' Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

The initial trading date of Italgas shares on the MTA will be determined by way of an order issued by Borsa Italiana.

Expert report

Art. 2506-ter, paragraph 3 of the Civil Code makes express provision for the "simplified procedure" only in the case of a proportional demerger to a newly incorporated company.

However, there should also be no need for an expert report when the demerger can in no way alter the value of the equity investments held by the shareholders of the companies involved in the transaction, negating the need for a share-swap ratio to be calculated in relation to the overall value of the equity investments held by said shareholders, which is what happens if a partial demerger is made to an existing beneficiary company that

is wholly owned by the Demerged Company. This interpretation was used by the Milan Council of Notaries in Massima No. 23 of 18 March 2004, issued by the Commissione Società del Consiglio Notarile di Milano.

Since the Transaction described by this Information Document is a Demerger to an existing Beneficiary Company wholly owned by the Demerged Company (which will remain the case until the Demerger Effective Date) and there are no alternative allocation criteria other than the proportional method, there is no need to calculate the share-swap ratio in relation to the overall value of the equity investments held by the shareholders of the companies involved in the Demerger.

As such, the Demerger will adhere to the simplified procedure, meaning that there will be no expert report on the fairness of the share-swap ratio.

In order to support the Transaction-related decisions of the Boards of Directors of the Companies Participating in the Demerger, Snam has appointed an Expert in its capacity as a proven expert operating independently of the Company, of Italgas and of the shareholders that exercise individual or joint control over said companies, to write:

- (i) (sworn) reports on the value of Snam's equity investment in Italgas Reti (including the stakes in investee companies) in order to comply with applicable regulations, particularly, based on the structure of the Transaction, Art. 2343-*ter*, paragraph 2 of the Civil Code with regard to the Contribution and Art. 2343-*bis*, paragraph 2 of the Civil Code with regard to purchases by the company from promoters, founders, shareholders and directors; and
- (ii) a report, requested by Snam on a voluntary basis, with the aim of estimating the actual value of the net asset allocated to the Beneficiary Company following the Demerger.

The adequacy of the Contribution and Sale values and the value of net assets transferred to the Beneficiary Company as part of the Demerger transaction have been confirmed by the appraisals referred to under sections (i) and (ii).

Right of withdrawal

The Demerger is subject to, among other things, the registration of the Demerger deed with the Register of Enterprises (which occurred on 3 November 2016) and to the shares of the Beneficiary Company to be admitted to trading on the MTA in order to ensure their liquidity. The Demerger is subject, *inter alia*, to the Beneficiary Company's shares being admitted to trading on the MTA. As such, the conditions are not in place for Snam's shareholders to exercise the right of withdrawal set out in Art. 2437-*quinquies* of the Civil Code.

Nor are the conditions in place for the exercise of the right of withdrawal pursuant to Art. 2437 of the Civil Code. Specifically, with regard to paragraph 1, letter a) of the above Art., following the Demerger, the corporate purpose of the Demerged Company will remain unchanged and the Beneficiary Company will adopt a corporate purpose aligned with that of the Demerged Company, without prejudice to the fact that there will be no change to the business units of the Demerged Company and the Beneficiary Company.

Date on which the Demerger is effective

The Demerger will be effective on the date when the Demerger deed is registered with the relevant Companies Register pursuant to Art. 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed, whichever is later. The Effectiveness of the Demerger will coincide with the start date of trading of Italgas shares on the MTA.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the legal Demerger Effective Date.

Accounting treatment of the Demerger and date from which the accounting effects apply to the participating companies

The Transaction is being conducted under the going-concern principle, considered as a Business Combination Involving Entities or Businesses Under Common Control since the companies participating in the business combination (Snam, Italgas and Italgas Reti) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

Pursuant to Art. 2501-*ter*, No. 6 of the Civil Code, referred to in Art. 2506-*quater* of said Code, the accounting effects of the Demerger will apply as of the Effective Date as defined in the previous Paragraph. As such, the accounting effects of the Demerger will be applied to the Beneficiary Company's financial statements as of said Effective Date.

Tax effects of the Demerger on its Participating Companies

The Demerger is tax neutral for the purpose of direct taxation as defined in Art. 173 of the Consolidated Income Tax Act (TUIR). Specifically, under Italian tax law, the Demerger does not result in the parties involved making profits or incurring losses that are significant for tax purposes.

For the Demerged Company, the transfer of part of its net asset to the Beneficiary Company results neither in goodwill nor in latent capital gains or losses amongst its assets and liabilities. Similarly, the assets acquired by the Beneficiary Company are received at the same tax value they had when held by the Demerged Company. Any difference between the book value of these assets and their value for tax purposes will be shown in a dedicated reconciliation statement on the tax return.

In order to obtain confirmation regarding the above-mentioned neutrality of the Demerger pertaining to the Demerged Company and the shareholders of the Demerged Company, on 6 July 2016, Snam presented the Central Management of the Revenue Agency with a request application - pursuant to and in accordance with Article 11, paragraph 1, letter c) of Law No. 212 of 27 July 2000 (Taxpayers' Bill of Rights), as amended by Legislative Decree No. 156 of 24 September 2015 - aimed at acquiring an opinion with regard to the absence of abusive profiles relating to IRES, with reference to the collection of transactions to be implemented under the scope of the separation from Snam of the gas distribution business pertaining to its subsidiary Italgas Reti, aimed at the listing on the MTA of the companies pertaining to the Italgas Group (now Italgas S.p.A.), with the consequent continuation of the tax consolidation between the Issuer and the subsidiaries transferred to it as a result of the planned Demerger transaction.

At the basis of the absence of abusive profiles and the consequent non-existence of the prerequisites for any derecognition of the tax effects of the transaction by the financial administration, evidence was provided in the request application of both the existence of valid, non-marginal extra- tax reasons, underlying the individual stages of the actual transactions and which reveal the existence of a clear economic substance, and also of the absence of achievement of an undue tax advantage, or benefits, including non-immediate ones, in conflict with the aims of the tax regulations or the principles of tax law.

The response by the Revenue Agency to the request application is expected to be received, pursuant to Article 11, paragraph 3, of the Taxpayers' Bill of Rights, within one hundred and twenty days of the presentation date of the actual application, apart from the request for additional documentation by the financial administration, at the Information Document Date not received. In the latter circumstances, the reply would be made within sixty days of receipt of the additional documentation.

As at the Information Document Date, there is no assurance regarding the fact that the Italian Tax Authority will agree with the position taken by Snam as far as the tax considerations of the Demerger described above.

The Demerged Company's taxable positions and the related obligations are allocated to the Beneficiary Company and the Demerged Company in proportion to the respective shares of book net asset transferred or retained, although taxable positions related specifically or as a group to the demerged assets and liabilities remain with the Beneficiary Company.

Any deferred tax reserves in the Demerged Company's most recent separate financial statements are reduced in proportion to the reduction in the related book net asset. This reduced amount in the Demerged Company must be reconstituted within the Beneficiary Company in proportion to the respective shares of book net asset transferred by the Demerged Company, unless the tax deferral depends on events affecting particular assets and liabilities, in which case the deferred tax reserves must be reconstituted by the Beneficiary Company that receives these assets and liabilities. Similarly, the Demerged Company's deferred tax reserves that were capitalised before the Demerger are transferred to the capital of the Beneficiary Company and form part of income in the event of a capital reduction due to surplus.

The provisions of Art. 173 of the TUIR apply to any circumstances not expressly mentioned for the purpose of income taxes.

With regard to indirect taxation, the Demerger is not subject to value added tax (VAT), pursuant to Art. 2, paragraph 3, letter f) of Presidential Decree 633/1972, and is subject to fixed registration duty, pursuant to Art. 4, letter b), part one of the Tariff annexed to Presidential Decree 131/1986.

Lastly, the change in the original equity investments resulting from the Demerger constitutes neither the realisation nor distribution of capital gains or losses for the Demerged Company's shareholders. With regard to each shareholder, the division of the tax value of the stake originally held in the Demerged Company must respect the existing ratio of the effective value of the equity investments received by the Beneficiary Company and the effective value of each shareholder's equity investment in the Demerged Company. However, for the Demerged Company's shareholders not resident for tax purposes in Italy, the tax regime in force in their respective countries of residence should be verified with local advisors.

2.1.3 Shares to be awarded to Snam shareholders

Description of the shares

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company, free of charge, in proportion to the shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company (Italgas) for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, on 16 September 2016 Snam engaged an authorised intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

In view of the request for their admission to trading on the MTA, the Beneficiary Company's shares, which are registered shares with no par value, will be subject to the transfer rules for shares issued by listed Italian companies, as set forth in the applicable laws and regulations, including those on the dematerialisation of securities.

Pursuant to Artt. 83-*bis et seq.* of the TUF, the Beneficiary Company's shares will be put into the Monte Titoli centralised management system.

Description of the rights associated with the shares and how they can be exercised

Shares of the Beneficiary Company that will be allocated to the Demerged Company's shareholders will incur dividend rights from the Demerger Effective Date.

The net profits, as they appear on the financial statements, are distributed as follows:

- 5% to legal reserves, until these reach one fifth of the share capital;
- the remainder, at the discretion of the Shareholders' Meeting, either in full or in part, to shareholders or to create or bolster reserves.

Dividends not collected within five years of the date on which they became payable revert to the Beneficiary Company. Interim dividends may be distributed in accordance with the law.

Should the Beneficiary Company be wound up at any time, for whatever reason, the Shareholders' Meeting will be responsible for establishing how the company will be liquidated.

No shares have been issued entitling the holders to special rights, and there are no share ownership schemes in place for managers and employees.

Restrictions of voting rights or share transfers

The Beneficiary Company’s bylaws have no restrictions on the transfer of, or limitations on holding, the Beneficiary Company’s shares. The legal provisions regarding the Unbundling Regulations described in Paragraph 2.1.1 with regard to the Demerged Company provide certain restrictions on the transfer of, and limitations on the holding of shares.

Restrictions to the free movement of shares

Shares in the Beneficiary Company are and will be freely transferable.

Tax system

The Beneficiary Company shares awarded to the Demerged Company’s shareholders as part of the Demerger will be admitted to trading on the MTA, meaning that they will be subject to the same tax system as the Demerged Company’s shares at present.

2.1.4 Major shareholders and control structures

Ownership structure of the Demerged Company

As at the Information Document Date, there are no shareholders purporting to exercise control over Snam as defined in Art. 2359 of the Civil Code and Art. 93 of the TUF.

According to the shareholder register, communications received and other information available to Snam, as at the Information Document Date, the following shareholders directly or indirectly hold 3% or more of the Demerged Company’s share capital with voting rights:

Declarant	Direct shareholder	Proportion of ordinary share capital (%)	Total share % of the declarant
CDP	CDP Reti ⁽¹⁾	28.98	30.1
	CDP Gas ⁽²⁾	1.12	
MINOZZI ROMANO	Finanziaria Ceramica Castellarano S.p.A.	0.26	4.7
	Iris Ceramica Group S.p.A.	1.70	
	Granitifiandre S.p.A.	0.47	
	Minozzi Romano	1.94	

⁽¹⁾ Company in which CDP holds 59.1% and State Grid Europe Limited (“SGEL”) holds 35%, with the remaining 5.9% held by Italian institutional investors.

⁽²⁾ Wholly owned subsidiary of CDP.

as at the Information Document Date, Snam holds 1,127,250 treasury shares, equal to 0.03% of the share capital, while Snam’s subsidiaries do not hold, and are not authorised by their respective shareholders’ meetings to acquire, Snam shares.

Snam has approximately eighty thousand shareholders as at the Information Document Date.

Since it is partial and proportional, the Demerger will not result in any change in Snam’s ownership structure.

Ownership structure of the Beneficiary Company

As at the Information Document Date, the Beneficiary Company's share capital is wholly owned by Snam.

As a result of the Demerger, all shareholders of the Demerged Company will receive Beneficiary Company shares in proportion to their stakes. The Demerged Company's shareholders will receive 86.50% of the Beneficiary Company's shares, while the Demerged Company itself will hold on to the remaining 13.50%.

This means that, assuming there are no changes to the ownership structure of the Demerged Company, the shareholders with 3% or more of the Beneficiary Company's share capital as at the Demerger Effective Date are as follows:

Declarant	Direct shareholder	Proportion of ordinary share capital (%)	Total share % of the declarant
CDP	CDP Reti	25.08	26.05
	CDP Gas	0.97	
Snam	Snam	13.50	13.50

Of Snam's 13.50% stake in the Beneficiary Company, 13.47% comes from the Contribution of Snam's 8.23% stake in Italgas Reti to the Beneficiary Company, and the remaining 0.03% comes from the awarding of Beneficiary Company shares in proportion to the treasury shares held prior to the Demerger Effective Date.

Following the Demerger CDP Reti and CDP Gas shall have a total holding of 26.05% of the share capital of the Beneficiary Company (CDP Reti 25.08% and CDP Gas 0.97%) while Snam will hold 13.5% of the share capital of the Beneficiary Company. The amount of the holdings of CDP Reti, CDP Gas and Snam applied to the Shareholders' Agreement will amount to 39.55% of the share capital of the Beneficiary Company. Therefore neither the CDP Reti and CDP Gas Holdings, nor the aggregate of the Shareholders' Agreement Holdings, give their holders a controlling position over the Beneficiary Company pursuant to and by effect of Art. 2359(1)(1), Civil Code. That having been stated, note that, if the aggregate of the equity investments brought to the Shareholders' Agreement should represent the absolute majority of votes concretely expressed in the ordinary shareholders' meetings of the Issuer, then it may be possible to evaluate whether the particulars of de facto control over the Beneficiary Company pertain to CDP (which currently records the majority of Italgas advisors) pursuant to and in accordance with Article 2359, paragraph 1, no. 2) of the Civil Code.

As stipulated in the Memorandum of Understanding, Snam, CDP Reti and CDP Gas entered into the Shareholders' Agreement on 20 October 2016 (with effective date from the Demerger Effective Date) relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of Italgas upon the outcome of the Transaction. The Shareholders' Agreement has a term of three years and is renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of governance which, following the implementation of the Transaction, shall apply to Italgas and Italgas Reti.

Please see Chapter 2, Paragraph 2.6.2 of this Information Document for more information about the Shareholders' Agreement.

Effect of the Demerger on the Shareholders' Agreements

Based on the notifications sent to CONSOB pursuant to Art. 122 of the TUF and the applicable provisions of the Issuers' Regulation, as at the Information Document Date, CDP, SGEL and State Grid International Development Limited²⁹ are locked into the Shareholders' Agreement with Snam (the "SGEL Shareholders' Agreement"). The SGEL Shareholders' Agreement was entered into when a stake of 35% in CDP Reti was transferred to SGEL on 27 November 2014, where CDP and SGEL made their entire equity interest participations in the CDP overall representative networks of 94,10% of the share capital.

The SGEL Shareholders' Agreement was amended on 23 December 2014 to reflect the changes to CDP's equity investment in Snam following the 19 December 2014 transfer to Snam of the stake held by CDP (via CDP Gas) in Trans Austria Gasleitung GmbH, as part of the Snam capital increase reserved for CDP Gas and the signing of the deed of transfer of the aforementioned equity investment by CDP Gas.

Specifically, the SGEL Shareholders' Agreement – which has a three-year term from the date of signing and will be renewed automatically for subsequent three-year periods, unless one of the parties withdraws – grants SGEL governance rights to protect its investment in CDP Reti.

The rights and obligations of SGEL with regard to Snam, as set out in the SGEL Shareholders' Agreement, include in particular the following:

- as long as SGEL holds an equity investment of at least 20% in CDP Reti, it shall be entitled to appoint a candidate to be included on the list of candidates for the position of director of Snam, which will be submitted by CDP Reti at the Shareholders' Meeting called to appoint members of the Board of Directors;
- SGEL's candidate must be included on the list in a position that would guarantee the candidate's appointment to the position of director of Snam if the CDP Reti list obtains a majority of votes at the Shareholders' Meeting; and
- SGEL has undertaken to ensure that the director appointed by it to Snam's Board of Directors (if and to the extent that said director is not independent pursuant to Art. 148 of the TUF) shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Snam in relation to matters on which there is a conflict of interest for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. Furthermore, said director may not take part in the discussions of Snam's Board of Directors concerning the aforementioned matters.

In addition, the SGEL Shareholders' Agreement entitles SGEL³⁰ to withdraw if the Snam Shareholders' Meeting approves, inter alia, demergers where the value of the shareholders' equity transferred to the beneficiary company is greater than 10% of Snam's shareholders' equity, provided that the decisions in

²⁹ State Grid International Development Limited owns the entire capital of SGEL.

³⁰ As at the Information Document Date no event causing withdrawal in favour of SGEL pursuant to the current bylaws of CDP Reti and the SGEL Shareholders' Agreement has occurred. Note also that both the directors of CDP Reti designated by SGEL were present at the CDP Board of Directors meeting dated 28 June 2016 and voted in favour of the Transaction.

question have been approved by Snam's Shareholders' Meeting with a favourable vote in by CDP Reti (*i.e.* without this vote, the resolution would not have been adopted), notwithstanding a negative vote by the SGEL-appointed members on the CDP Reti Board of Directors.

The extract of the SGEL Shareholders' Agreement is available on the websites of Snam and CONSOB.

Given the above, note that on 28 June 2016 the Board of Directors of CDP Reti approved the Transaction, insofar as it concerns them; hence, before the date of admission to trading of the Italgas shares, the members of the SGEL Shareholders' Agreement will adopt the necessary amendments to the Shareholders' Agreement following the Demerger and then publish them by the legal deadlines. More specifically, these changes will be necessary to reflect and take account of the new corporate structure of CDP Reti following conclusion of the Demerger (and in particular the fact that CDP Reti, following the demerger, will also hold, in addition to the holdings in Snam and Terna, a direct holding in Italgas) and to coordinate the provisions of the SGEL Shareholders' Agreement with the provisions of the Shareholders' Agreement on Italgas (with reference in particular to the designation of the members of the CDP Reti Consultation Committee, in order to ensure both the designation of one of the inst members by SGEL and to create and regulate the flows of information between the board of CDP Reti and its Consultation Committee members.

2.2 Description of the assets and liabilities to be transferred to the Beneficiary Company

2.2.1 Assets and liabilities to be transferred to the Beneficiary Company

Introduction

The Demerger provides for the Beneficiary Company (a pre-existing company wholly owned by Snam as at the Information Document Date) being awarded the assets and liabilities mentioned in the Paragraph below, "*Assets and liabilities transferred to the Beneficiary Company*".

Since this is a partial and proportional demerger to a company whose share capital is, as at the Information Document Date, and will remain up to the Demerger Effective Date, wholly owned by the Demerged Company, the Transaction in no way entails a change in the value of the equity investments held by the shareholders of the Demerged Company, and therefore – partly based on the opinion expressed by the Milan Council of Notaries in Massima No. 23 of 18 March 2004, issued by the Commissione Società del Consiglio Notarile di Milano – the conditions remain in place for the exemption, set out in Art. 2506-ter, paragraph 3 of the Civil Code, from the need to provide the expert report pursuant to Art. 2501-sexies of said Code.

Pursuant to and in accordance with the combined provisions of Artt. 2506-ter and 2501-quater of the Civil Code, the statement of financial position of the Beneficiary Company at the date of its establishment, in other words 1 June 2016, approved by the Board of Directors of Italgas was prepared.

Availing itself of the option available under said Art. 2501-quater of the Civil Code, the Demerged Company has used the 2015 Stand-alone Financial Statements.

The 2015 Financial Statements were made available to the shareholders and the public on 5 April 2016, in accordance with the methods described by law.

The Demerged Company will transfer the aforementioned asset to the Beneficiary Company at book value.

Reorganisation of the corporate structures

Through the industrial and corporate restructuring Transaction, the entire equity investment held by Snam in Italgas Reti as at the Information Document Date, equal to 100% of the share capital of Italgas Reti, will be transferred to Italgas.

Specifically, the Transaction as a whole, which will occur in a unitary and substantially simultaneous manner, includes:

- a) the contribution in kind by Snam to Italgas of a stake equal to 8.23% of the share capital of Italgas Reti (the “Contribution”), in exchange for the allocation to Snam of 108,957,843 newly issued shares of Italgas, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);
- b) the sale by Snam to Italgas of 98,054,833 shares of Italgas Reti, equal to 38.87% of the share capital of Italgas Reti, for a price of €1,503 million, together with the assumption of an equal amount of debt at the Beneficiary Company (Vendor Loan); and
- c) the partial and proportional Demerger of Snam, with the allocation to Italgas of an equity investment equal to the 52.90% held by the Demerged Company in Italgas Reti, and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company’s share capital.

The reorganisation of Italgas’ corporate structures, carried out by way of the Contribution and the Sale (executed at the same time as the Demerger), is closely associated with the execution of the Demerger itself and allows, on the one side, for Snam to hold a post-Demerger stake of 13.50% in the Beneficiary Company once the Transaction is complete (mainly resulting from the Contribution) and, on the Issuer’s other side, a consequent level of debt upon the Issuer that the Issuer deems sustainable and in line with its own activity, risk and cash flow generation profile (through the Sale and the consequent disbursement of the Vendor Loan).

In addition to the conditions of law, including, in particular, the favourable vote of Snam’s Shareholders’ Meeting held on 1 August 2016, the effectiveness of the Transaction is subject to:

- (i) issuance of Borsa Italiana’s order admitting the Beneficiary Company’s shares to trading on the MTA;
- (ii) issuance of the judgement of equivalence by CONSOB pursuant to Art. 57, paragraph 1, letter d) of the Issuers’ Regulation in relation to this Information Document, supplemented pursuant to the same Art. 57 of the Issuers Regulation; and
- (iii) approval by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the

relevant Companies' Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

On 3 November 2016, CONSOB issued a judgment of equivalence for the Information Document prepared pursuant to Art. 57, paragraph 1, letter d of the Issuers' Regulation and authorised its publication.

The Snam bondholders' meeting approved the Transaction on 30 September 2016, therefore, at the Information Document Date, the conditions to which the Transaction is subject were verified.

Note that at any time, and therefore including following the approval of the Demerger Plan by the shareholders of the Companies Participating in the Demerger, the process for the admission of shares of the Beneficiary Company the trading on the MTA may be interrupted or suspended, where conditions are not suitable for proceeding with listing.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner. Specifically, the Demerger deed (and therefore the validity of the Demerger) is conditional on issuance of the orders referred to in (i) and (ii) above and will be valid with effect from the trading start date; the deeds of Contribution and Sale are conditional on the validity of the Demerger deed.

In order to support the Transaction-related decisions of the Boards of Directors of the Companies Participating in the Demerger, Snam has appointed the Expert to write:

- (i) (sworn) reports on the value of Snam's equity investment in Italgas Reti (including the stakes in investee companies) in order to comply with applicable regulations, particularly, based on the structure of the Transaction, Art. 2343-*ter*, paragraph 2 of the Civil Code with regard to the Contribution and Art. 2343-*bis*, paragraph 2 of the Civil Code with regard to purchases by the company from promoters, founders, shareholders and directors; and
- (ii) a report, requested by Snam on a voluntary basis, with the aim of estimating the actual value of the net asset allocated to the Beneficiary Company following the Demerger.

The expert reports referred to under (i) and (ii) were drafted on 24 June 2016. At the Information Document Date the evaluations and expert opinions underlying the calculation of the consistency of the Transfer and Sale values are still valid.

The Expert adopted the following methods for valuation of the Snam holding in Italgas Reti, *i.e.* the effective value of the shareholders' equity assigned to the Beneficiary Company following the Demerger: (i) the financial method (and in particular Discounted Cash Flow, or DCF) and (ii) the Sum of the Parts, or SOP method, described in detail in the reports, available to the public as indicated in Chapter 2, Paragraph 2.5 of this Information Document.

The values from the aforesaid expert reports are provided below (amounts expressed in millions of Euro):

	% of holding subject to	SOP	DCF
Equity value of Italgas Reti		3,585	3,935
Contribution*	8.23	295	324
Sale*	38.87	1,394	1,529
Demerger*	52.90	1,896	2,082

* The Contribution, Sale and Demerger as defined in this Information Document.

The reported values were calculated in consideration of the fact that on 18 July 2016 the Shareholders' Meeting of Italgas Reti approved the distribution of a dividend amounting to €274,563,390.96 and that during the same month of July Snam drew the same dividend.

The adequacy of the Contribution and Sale values and the value of net assets transferred to the Beneficiary Company as part of the Demerger have been confirmed by the appraisals referred to under sections (i) and (ii).

Assets and liabilities allocated to the Beneficiary Company

As a result of the Demerger, the Demerged Company will assign to the Beneficiary Company an equity investment of 52.90% of the share capital of Italgas Reti. In accordance with the principle of continuity of accounting values, the assignment will take place at a carrying value, which is €1,569,336,806.17³¹, corresponding to 52.90% of the total cost of €2,966,709,387.94.

Company name	Registered office	Share capital in €	% stake held by Snam	Shares held	REA No.	Snam book value in € as at 31 December 2015
Italgas Reti	Turin	252,263,314.00	100	252,263,314	Turin No. 1082	2,966,709,387.94

No other asset or liability item of the Demerged Company, other than those expressly mentioned, will be awarded. Therefore, the value of the shareholders' equity allocated comes to €1,569,336,806.17.

Ostiense Property Complex

Concurrently with the Demerger, Snam's rights and obligations in relation to the Property Complex located in Roma Ostiense will be transferred to the Beneficiary Company as a result of specific contractual arrangements entered into during the sale by Eni of 100% of its share capital in Italgas Reti to Snam, which occurred in 2009 (as summarised below):

- based on the sale and Purchase Agreement concerning the Italgas Reti share capital, signed on 12 February 2009, Eni assumed a commitment to acquire the Property Complex from Italgas Reti;
- on 30 June 2009, the parties signed a private deed to implement the Sale and Purchase Agreement.

³¹ Including the effects resulting from the greater value of the Snam's stakeholding in Italgas Reti of €263,003 recorded following the price adjustment made based on the contractual forecasts defined during the transaction of Snam purchasing 100% of the stakeholding from Eni.

The Sale and Purchase Agreement, as integrated by the following agreements entered into by the parties, provides, in particular, for a commitment by Eni to purchase, from Italgas Reti, the Property Complex and Eni's right to receive, from Snam, by way of adjustment of the price of Italgas Reti shares and together with the sale of the Property Complex, an amount equal to the difference between the appraised value of the Property Complex and its RAB value as of 31 December 2007, after the deduction of fiscal charges and the duly documented ancillary costs associated with the sale of the Property Complex to Eni. In addition, the adjustment of the price of Italgas Reti shares will also include the difference between the appraised value of the environmental provisions and the value set out in the provisions for the environmental risks, of the balance sheet of Italgas Reti as of 31 December 2008 and related to the Property Complex.

- on 24 October 2012 Snam and Eni signed a further agreement under which they agreed to make their respective subsidiaries, Italgas Reti and Eniservizi, sign a sale and purchase agreement relating to the Property Complex, preceded by a preliminary agreement;
- on 8 April 2014, Eniservizi and Italgas Reti signed the preliminary agreement for the sale of the Property Complex for €21,972,391.00, equal to the difference between the evaluation value of the Real Estate Complex of 25 March 2009 (value of €59.9 million at the appraisal date) and the evaluation value of environmental costs of 19 October 2012 (valued at €37.9 million at the date of the appraisal). The amount was established as a fixed, unchangeable amount, regardless of the actual extent of remediation that will be necessary on the site. Consistent with the applicable accounting principles, the fund relating to the reclamation costs for the Property Complex was not adequate.

Following the purchase and sale of the Ostiense Property Complex, Eniservizi (i) will be required to take over all rights and obligations of environmental restoration, (ii) will not be able to demand revision of the purchase price and (iii) must indemnify Italgas against such costs, damages, expenses or charges as it may possibly have to bear in relation to the execution of the restoration or to the deficient, incomplete or improper execution thereof.

In the event that the purchase and sale of the Property Complex is not executed, and by virtue of the provisions of the Italgas Purchase and Sale Contract, Snam is entitled to obtain compensation from Eni for the environmental expenses in excess of the amount posted in the Italgas financial statements on 31 December 2008 and that relate to events occurring prior to 30 June 2009 (date of transfer of the Italgas shares from Eni to Snam) within the limits contractually provided for. It is also provided that Eni shall reimburse Snam for any eventual environmental expenses actually incurred and documented by Italgas Reti after 31 December 2008, net of the pertinent tax effect.

It can be confirmed that no change was made in the allocation of risks for environmental charges, from those originally agreed and what was subsequently agreed.

As at the Information Document Date the date for the signature of the definitive purchase agreement for the Property Complex has not been set.

Activities of Italgas Reti Group

With respect to the business activity carried out by Italgas Reti and by its subsidiaries, in addition to what has already been reported, the following should be noted.

The natural gas distribution service is based on concessions currently awarded by the individual municipalities in which Italgas Reti operates. The distribution service consists of carrying gas through local pipelines from transportation network connection points to points for redelivery to end-users (domestic or industrial customers). The service is carried out on behalf of companies authorised to market gas.

Based on information provided to the AEEGSI, in 2014, approximately 230 companies distributed natural gas in approximately 7,100 municipalities in Italy, to approximately 23 million customers.

Italgas Reti, along with its subsidiaries Napoletanagas and ACAM Gas, manages a distribution network of approximately 57,000 km and has a gas distribution concession in 1,472 municipalities, of which 1,401 are operational, with 6.526 million active meters at Redelivery Points.

The Italgas Reti Group is Italy's leading distributor of natural gas in urban areas in terms of number of RPs.

Italgas Reti also has non-controlling interests in other natural gas distribution companies, for which it acts as the primary industrial shareholder. These companies, which are not consolidated by Italgas Reti, are mentioned below.

The figures given below are taken from the respective financial statements, prepared in accordance with the provisions of the Civil Code (and Legislative Decree 127/91 where consolidated financial statements are prepared), and the accounting principles drawn up by the National Board of Certified Public Accountants and Bookkeepers and by the Italian Accounting Organisation ("O.I.C.").

- **Toscana Energia S.p.A. (48.08%)**

Toscana Energia S.p.A. ("Toscana Energia") is 51.25% owned by public bodies, including a 20.6% stake held by the municipality of Florence, and 0.67% owned by private shareholders.

Toscana Energia with a RAB of €0.8 billion performs the distribution service in 104 municipalities across Tuscany, with around 790,000 active RPs and more than 1 billion cubic metres of gas carried in 2015.

At 31 December 2015, Toscana Energia's revenues of some €125 million generated EBIT of approximately €61 million and a net profit of approximately €40 million. Investments made in 2015 come to a total of approximately €156 million.

At 31 December 2015, Toscana Energia had a workforce of 432 employees.

Toscana Energia is a jointly-controlled company in which Italgas Reti owns 48.08% of the share capital with the remaining stake of the share capital owned by territorial public bodies, such as the Municipality of Florence and around another 90 Tuscan municipalities. Shareholders have the right of

first refusal if a shareholder intends transferring its stakeholding to third-parties. The Shareholders' Meeting resolves through a qualified majority of two thirds of the share capital.

The company is run by a Board of Directors composed of nine members, five of whom are appointed by public sector shareholders and four by Italgas Reti private sector shareholders. The Chairman is appointed by the public sector directors, while the CEO is appointed by the Italgas Reti private sector directors and they are assigned the powers to manage the Company except with regard to matters of significant importance which are reserved to the Board of Directors, which is made up of a qualified majority of two thirds of the members and resolves through the majority of those present.

- **Umbria Distribuzione Gas S.p.A. (45%)**

Umbria Distribuzione Gas S.p.A. ("Umbria Distribuzione") the remaining 55% of its share capital is owned 40% by Terni S.p.A., and 15.0% by Acea S.p.A.

As the holder of an 11-year mandate that began in August 2007, Umbria Distribuzione manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructure owned by Terni Reti S.r.l., a wholly owned subsidiary of the Terni municipality.

The natural gas distribution network managed by Umbria Distribuzione extends for 397 km, with approximately 50,000 active Redelivery Points and 54 million cubic meters of gas carried. RAB is of approximately €32 million.

At 31 December 2015, Umbria Distribuzione's revenues of approximately €6.5 million generated EBIT of some €550,000 and a net profit of approximately €310,000. Investments made in 2015 amount to a total of approximately €1 million.

At 31 December 2015, Umbria Distribuzione had a workforce of 3 employees.

Umbria Distribuzione is a jointly-controlled company in which Italgas Reti owns 45% of the share capital while the remaining share capital is owned by two minority shareholders. Shareholders have the right of first refusal if a shareholder intends on transferring its shareholding to third-parties. The Shareholders' Meeting resolves through a qualified majority of 86% of the share capital.

The company is managed by a Board of Directors made up of six members, three of whom are designated by Italgas Reti. The CEO is appointed from among these and is assigned the powers to manage the Company except with regard to matters of significant importance. These are reserved to the Board of Directors, which resolves through the qualified majority of members.

- **Metano S. Angelo Lodigiano S.p.A. (50%)**

Metano S. Angelo Lodigiano S.p.A. the remaining 50% of Metano S. Angelo Lodigiano S.p.A. ("Metano Lodigiano") is owned by the municipality of S. Angelo Lodigiano.

Metano Lodigiano holds the gas distribution concessions in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

With a RAB of €7 million, Metano Lodigiano serves around 9,700 RPs and carried 17 million cubic metres of gas in 2015.

As at 31 December 2015, Metano Lodigiano had a workforce of 3 employees.

Metano Lodigiano is a jointly-controlled company in which Italgas Reti owns 50% of the share capital while the remaining share capital is owned by the Municipality of Sant'Angelo Lodigiano. Shareholders have the right of first refusal if a shareholder intends on transferring its shareholding to third-parties. The Shareholders' Meeting resolves through a qualified majority of 51% of the share capital.

The company is run by a Board of Directors composed of six members three of whom are designated by Italgas Reti and three by the Municipality of Sant'Angelo Lodigiano. The offices of Chairman and Vice Chairman are assigned for alternating periods to a director designated by each of the two shareholders. The Chairman has management powers, which, if he/she is indisposed, are exercised by the Vice Chairman. The Board of Directors resolves through the majority of its members.

At 31 December 2015, Metano Lodigiano's revenues of approximately €1.5 million generated EBIT of some €540,000 and a net profit of approximately €350,000. Investments made in 2015 amount to a total of approximately €0.2 million.

At 31 December 2015 the management of the equity investments relating to the above companies contributed €20 million to the profits of the Italgas Reti Group.

On 21 June 2016, the Italgas Reti Board of Directors called a Shareholders' Meeting to be held on 18 July 2016 to deliberate on the distribution of a dividend for the financial year 2015, equal to €274,563,390.96 million. Effects on the assets and liabilities of the Demerger.

Effects of the Demerger on the assets and liabilities of the Demerged Company

The Demerger will yield a proportional reduction of €1,569,336,806.17³² in the Demerged Company's net asset, by way of a reduction of €961,181,518.44 in share capital and a reduction of €608,155,287.73 in reserves. Specifically, the Legal Reserve will be reduced by €192,236,303.69 and the Share Premium Reserve by €415,918,984.04.

Any differences in the book value of the asset to be assigned, which result from any corporate dynamics that occur up until the Demerger Effective Date, will not result in cash adjustments, but will instead be applied as a benefit or charge to the assigned assets.

³² Including the effects resulting from the greater value of the Snam's stakeholding in Italgas Reti of €236,003 recorded following the price adjustment made based on the contractual forecasts defined during the transaction of Snam purchasing 100% of the stakeholding from Eni.

Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

Effects of the Demerger on the assets and liabilities of the Beneficiary Company

The Demerger will result in a corresponding increase of €1,569,336,806.17 in the Beneficiary Company's shareholders' equity, attributed (i) to share capital in the amount of €961,181,518.44, thereby increasing the share capital from €40,050,000 to €1,001,231,518.44 via the issuance of 700,127,659 new shares; and (ii) to reserves in the total amount of €608,155,287.73. The Legal Reserve will increase by €192,236,303.69, and the Share Premium Reserve by €415,918,984.04.

A summary of the aforementioned effects on the assets and liabilities of the Demerged Company and the Beneficiary Company is shown below. In particular, the first column shows the Demerged Company's net asset items at 31 December 2015, while the second and third columns show, respectively, the post-Demerger breakdown of the net asset of the Beneficiary Company and the Demerged Company.

	Snam pre-Demerger (31 December 2015)	Italgas Post-Demerger^(*)	Snam Post-Demerger
Share capital	3,696,851,994.00	961,181,518.44	2,735,670,475.56
Legal reserve	739,370,398.80	192,236,303.69	547,134,095.11
Share premium reserve	1,604,214,715.01	415,918,984.04 (**)	1,188,295,730.97
Other reserves	(29,979,837.77)		(29,979,837.77)
Net profit 2015	824,675,951.88		824,675,951.88
Total	6,835,133,221.92	1,569,336,806.17	5,265,796,415.75

^(*) The items of shareholders' equity awarded to Italgas after the Demerger and allocated to the Share Capital and Legal Reserve have been calculated on a proportional basis, *i.e.* ratio of the Demerged Assets and Liabilities to Snam's shareholders' equity at 31 December 2015, net of the effects of allocating 2015 income, as decided by the Shareholders' Meeting of 27 April 2016. The amount allocated to the share premium reserve was calculated on top of the total value of the Demerged Assets and Liabilities.

^(**) Including the effects resulting from the greater value of the Snam's stakeholding in Italgas Reti of €236,003 recorded following the price adjustment made based on the contractual forecasts defined during the transaction of Snam purchasing 100% of the stakeholding from Eni.

The following summarises the balance sheet effects on the shareholders' equity of the Demerged Company and the Beneficiary, as a result of the entire transaction (incorporation of Italgas, Contribution, Sale and Demerger), also including the effects resulting from the allocation of profit for 2015, approved by the Shareholders' Meeting of 27 April 2016.

(Euro million)

Snam	31 December 2015 (pre Transaction)	Distribution of 2015 dividend	Snam post-dividend distribution	Sale	Demerger	Snam post- Transaction
Share capital	3,697		3,697		(961)	2,736
Legal reserve	739		739		(192)	547
Share premium reserve	1,603	(50)	1,553		(416)	1,137
Other reserves	(29)		(29)	350 ^(*)		321
Net profit	825	(825)				
Snam net asset	6,835	(875)	5,960	350	(1,569)	4,741

Italgas	Establishment	Contribution	Sale	Demerger	Italgas <i>post</i>-Transaction
Share capital	€ 50,000	40		961	1,001
Legal reserve				192	192
Share premium reserve		204		416	620
Other reserves			(350) ^(*)		(350)
Italgas Shareholders' Equity		244	(350)	1,569	1,463

(*) The reserve, a positive value for the Demerged Company and a negative value for the Beneficiary Company, is recognised against the Sale and is equal to the difference between the Sale price and the corresponding fraction of the cost of the holding.

2.3 Reasons for and purpose of the Transaction

2.3.1 Financial reasons and benefits of the Transaction

This is primarily a business Transaction aimed at separating the Snam Group's Italian gas distribution activities (carried out by the Italgas Reti Group) from its gas transportation and dispatching, regasification and storage activities in Italy and abroad. Within this framework, the division of the Transaction into the aforementioned three steps (*i.e.* Demerger, Contribution and Sale, which will be carried out simultaneously) allows, on the one side, for Snam to hold, post-Demerger, an equity investment of 13.50% in the Beneficiary Company (mainly resulting from the Contribution) and, on the other side, a consequent level of debt that the Issuer deems sustainable and in line with its own activity, risk and cash flow generation profile (through the Sale and the consequent disbursement of the Vendor Loan).

The reason for the Transaction is the belief that the gas distribution activities (which are the subject of the Demerger) present very specific characteristics that are different from the rest of the Snam Group's activities in terms of operational organization, competitive context, regulation and investment requirements.

Distribution is primarily a local business awarded on a fixed-term concession basis by local and regional authorities and carried out using mainly metropolitan low-pressure pipeline networks that transport the gas to the redelivery points of end customers. The distribution business is also more labour intensive than the Snam Group's other businesses, requires frequent interaction with local authorities and is based on continual small-scale investment.

Despite being based on the same principles of reference as the Snam Group's other regulated activities, the regulatory framework for distribution presents a series of its own peculiarities in terms of the way in which operating costs are recognised on a parametric basis because of the hugely fragmented nature of the market, in which there are many competitors.

From an operational perspective, Italgas Reti is preparing for a journey that will be characterised over the next few years by Local Tender Processes for gas distribution concessions, which are expected to result in a more concentrated market with an opportunity for economies of scale and operating synergies.

Two distinct groups will emerge from the Demerger, each focused on its own business and with clearly identified, market-visible objectives. Both groups should have the autonomy required to best capitalise on strategic growth opportunities and a well-defined operational profile that will allow them to fulfil their potential.

As a result of the Demerger, each Snam shareholder will have, in place of a Snam share, two different shares representing the different business areas in which Snam operates as at the Information Document Date. Specifically, the Snam shares, on the one side, Snam being a company operating in the transportation, dispatching, regasification and storage of natural gas, and the ITG Holding shares, on the other side, Italgas being a company operating in the distribution of natural gas.

2.3.2 Outlook and plans of the Demerged Company

The Transaction means that the Post-Demerger Snam Group will be able to concentrate on its transportation, storage and regasification activities in Italy and abroad in a bid to maximise the value of its existing asset portfolio and capitalise on new development opportunities.

As an additional opportunity, the Post-Demerger Snam Group intends to retain a stake of 13.50% in Italgas so it can benefit from the future growth and value creation of Italgas Reti.

2.3.3 Outlook and plans of the Issuer

The Issuer's role will be to manage the equity investment in Italgas Reti. Over the coming years, Italgas Reti will be involved in gas distribution service tenders at local level, as defined by industry regulations (Ministerial Decree 226/11). In order to cope effectively with this commitment, the company expects to have upgraded its technical structures and the related process by the end of 2016.

In particular, the company is in the process of finishing its revision and computerisation of most its technical and production processes, from designing and implementing projects to managing works, maintaining and running distribution facilities and overseeing map updates, including by way of new workforce management tools enabling, among other things, the on-site production of summaries of the activities carried out by corporate management systems.

In compliance with AEEGSI resolutions (Resolution ARG/gas 155/08 as amended), all meters (including domestic ones) will continue to be replaced with smart meters. Italgas Reti will also be able to:

- benefit from opportunities for growth arising from changes in the market through more effective use of financial debt, including by way of an investment grade credit rating, just like the other Italian operators;
- increase its market share and react more effectively if the tender timetable is brought forward;
- enjoy more flexibility with regard to investments, since the restrictions that come with being part of the Snam Group, *i.e.* competing against other investment opportunities and being bound by Snam's debt, will no longer apply;
- obtain direct access to the capital markets, enabling Italgas Reti to finance future growth.

Investments

Operating widely in Italy, the Italgas Group recorded as of 31 December 2015 a total expenditure for investment of Euro 393 millions of which Euro 134 millions relating to metering (including the installation of

490.000 meters for the mass-market) and Euro 199 millions relating to the distribution network (including 130 Km of new network and 134 Km of additional network). The remaining amount mainly refers to investments for ancillary activities and, in particular, Euro 36 millions IT and Euro 10 millions vehicles. Net cash flow for the current period and the availability of intragroup credit lines covered the full investment expenditure for 2015.

For more information, please see Chapter 5, Paragraph 5.3 of this Information Document.

2.4 Declaration regarding working capital, own funds and debt

2.4.1 Declaration regarding working capital

Pursuant to Regulation 809/2004/EC and the definition of working capital (the difference between current assets and current liabilities as the “*means through which the issuer obtains the necessary liquid resources to satisfy the bonds reaching maturity*”, contained in the ESMA/2013/319 recommendations, as at the Information Document Date, the Italgas Group does not have sufficient working capital to meet its current liquidity requirements, understood as its needs for the next 12 months at the Information Document Date.

As at 30 September 2016, working capital (calculated as the difference between current assets and current liabilities) was calculated by including the amount relating to Bridge to Bond, equal to €2.3 billion, because the expiry date is twelve months after the disbursement date, actually coinciding with the date of the Transaction, and Italgas expects to completely refinance it during the course of the 12 months following the Demerger Effective Date by issuing medium-long-term bonds.

For calculating the floating capital of the Issuer (calculated as the difference between current assets and current liabilities) the data as at 30 September 2016 of the Italgas Reti Group of companies were calculated, excluding the intercompany crossovers, and adding the pro-forma adjustments necessary for reflecting the significant effects of the Demerger and the settlement of the borrowing relationships and being with the Demerged Company and the consequent independent refinancing of the Italgas Group on the markets, as strictly associated with the Transaction itself.

The following table illustrates the items drawn from the consolidated financial situation of Italgas Group as at 30 September 2016 which make up the net floating capital:

(Euro million)	Floating Capital as at 30 September 2016	Pro-forma adjustments	Pro-forma Floating Capital as at 30 September 2016
Receivables and other current assets	526	34	560
Cash and cash equivalents	1		1
TOTAL CURRENT ASSETS	527	34	561
Payables to banks and other lenders	663	1,637	2,300
Trade and other payables	390	(8)	382
TOTAL CURRENT LIABILITIES	1,053	1,629	2,682
NET FLOATING CAPITAL as at 30 September 2016	(526)	(1,595)	(2,121)

Around two thirds (€2,300 million) of the financial structure used for drafting the pro-forma data deriving from the independent refinancing of Italgas Group on the markets is made up of a short-term Bridge to Bond loan and the remaining part by long-term and variable-rate loans and banking credit lines.

The short-term increase of borrowing derives from the settlement of loan arrangements in being with the Demerged Company.

The pro-forma adjustments also include: (a) the tax effect (€36 million) deriving from: (i) the adjustment of the market value of the borrowing in being with Snam as at 30 September 2016; (ii) the accessory charges directly attributable to the Transaction. This effect reduces the current tax liability (€2 million) and increases current tax assets (€28 million); (b) the short term proportion (€6 million) of upfront commissions associated with the refinancing of the Italgas Group on the markets.

The net floating capital deficit (calculated as the difference between current assets and current liabilities) as at 30 September 2016 was -€2,121 million (-€2093 million as at 30 June 2016 based on the pro-forma data at that date).

Estimates of Net Borrowing Requirements

With reference to the Italgas Group net borrowing requirements 3 elements were identified (operating, investment and own capital requirements), illustrated and described below:

- (i) generation of operating cash (Net cash flow from operations) for a total of €451 million;
- (ii) a requirement deriving from the investment activities and attributable to management of own capital amounting to €689 million.

This cash flow, in order to give an accurate and truthful representation as possible of the obligations that will derive from the maturity over the 12 months, has been estimated based on the entire 2017 year (assuming equivalence between the latter months of 2016 and those of 2017).

It shows that the Bridge to Bond finance, amounting to €2,300 million, was represented by a temporary debt instrument. In actual fact, Italgas anticipates that the Bridge to Bond will be paid off entirely during the 12 months following the Merger Effective Date via medium-and long-term bond issues, the cash flow of which will offset the cash flow deriving from the reimbursement. This will give rise, at the end of the period considered, to an increase of non-current liabilities, generated by the bond issues, against an improvement of Floating capital deriving from repaying the Bridge to Bond finance. Lastly note that any residual amount of the Bridge to Bond at the term of 12 months will be renewed, at the Issuer's discretion, for two additional periods of 6 months each.

The Issuer estimates that the Group's net borrowing requirement for the 12 months following the Information Document Date amounts to -€2359 million, calculated as follows:

- (i) Initial Net Floating Capital €2,121 million;
- (ii) a positive cash flow from operations for a total of €451 million;

- (iii) - financial requirement for investment and capital management of €689 million (of which €412 million of organic technical investments, €120 million of technical and financial investments for tenders and dividends for €157 million);

The Issuer intends to finance the net overall requirement indicated above via recourse to bond issues for a total of €2,300 million, envisaged during 2017 (to reimburse the Bridge to Bond finance) and the remaining €59 million using lines of credit made available by the banking system as part of the total borrowing package of around €3.9 billion.

2.4.2 Own funds and debt

The Issuer was established on 1 June 2016 with a share capital of €50,000, fully paid in by the single shareholder Snam. The effects in accounting terms of the Transaction will be reflected in the Italgas financial statements only with effect from the Demerger Effective Date. Consequently no historical financial information of the Beneficiary suitable for providing the elements necessary for evaluating its capital, profit/loss and borrowing situation and related future development is available.

To represent the Italgas Group funds and indebtedness following the Demerger, the Information Document therefore illustrates the financial information as at 30 June 2016, 31 December 2015, 2014 and 2013 of the Snam Group and the companies under the Italgas Reti group – companies whose full ownership will be transferred from Snam to Italgas as part of the Transaction.

With regard to this paragraph of the Information Document, the Issuer uses the inclusion scheme by reference to the consolidated financial statements of the Snam Group at 31 December 2013, 2014 and 2015, the condensed interim consolidate financial statements of the Snam Group at 30 June 2016 included in the Interim Financial Report at 30 June 2016 of the Group, the consolidated financial statements of Italgas Reti Group at 31 December 2015, 2014 and 2013 and the Italgas Reti Group Interim Financial Report at 30 June 2016, pursuant to Art. 11 of Directive 2003/71/EC, as later amended and supplemented, and Art. 28 of Regulation EC 809/2004, as later amended and supplemented.

These documents were published and filed with CONSOB and are available to the public on the website of the Demerged Company (www.snam.it) and of Borsa Italiana (www.borsaitaliana.it), as well as at the registered offices of the Demerged Company and the Issuer.

To make it easier to consult the above-mentioned documents which are incorporated for reference purposes in the Information Document, the table below lists the pages of the main sections of these documents in the version published on the website of the Demerged Company (www.snam.it) as well as on the website of the Issuer.

Snam Group consolidated financial statements		Year ending at 31 December		
		2013	2014	2015
Directors' Report		4	4	5
Consolidated Financial Statements				
	Balance sheet	146	153	161
	Income statement	147	154	162
	Statement of comprehensive income	147	154	163
	Statement of changes in shareholders' equity	148	155	164
	Cash flow statement	149	156	166
	Notes to the consolidated financial statements	150	157	169
Independent auditors' report		232	256	266

Snam Group Interim Financial Report		Half-year ending 30 June 2016	
Interim directors' report			5
Condensed interim consolidated financial statements			
	Balance sheet		73
	Income statement		74
	Statement of comprehensive income		75
	Statement of changes in shareholders' equity		76
	Cash flow statement		78
	Notes to the consolidated financial statements		81
Independent auditors' report			121

Italgas Reti Group consolidated financial statements as at 31 December 2015, 2014 and 2013

Consolidated financial statements			
	Consolidated statement of assets and liabilities		3
	Consolidated income statement		4
	Statement of comprehensive income		4
	Statement of changes in shareholders' equity		5
	Consolidated cash flow statement		8
	Notes to the financial statements		9
Report of the auditing firm			96

Italgas Reti Group Interim financial report as at 30 June 2015

Consolidated financial statements			
	Consolidated statement of assets and liabilities		3
	Consolidated income statement		4
	Statement of comprehensive income		4
	Statement of changes in shareholders' equity		5
	Consolidated cash flow statement		6
	Notes to the financial statements		7
Report of the auditing firm			45

The table below lists the own funds and net financial debt of the Snam Group and Italgas Reti Group at 31 December 2013, 2014 and 2015 and at 30 June 2016.

Snam Group (Euro million)	as at			as at
	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Net financial debt	13,326	13,652	13,779	14,177
Shareholders' equity	5,994	7,172	7,586	7,250
Coverage	19,320	20,824	21,365	21,427

Italgas Reti Group (Euro million)	as at			as at
	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Net financial debt	1,664	1,772	1,848	1,741
Shareholders' equity	2,355	2,596	2,724	2,838
Coverage	4,019	4,368	4,572	4,579

Own funds

The breakdown of shareholders' equity of Snam Group and Italgas Reti Group in the periods mentioned above is given below:

Snam Group (Euro million)	as at			as at
	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Share capital	3,571	3,697	3,697	3,697
Reserves	1,850	2,281	2,655	3,031
Net profit	917	1,198	1,238	526
Interim dividend	(338)			
Treasury shares	(7)	(5)	(5)	(5)
Share capital issued and reserves attributable to shareholders of the parent company	5,993	7,171	7,585	7,249
Minority interests	1	1	1	1
Total shareholders' equity	5,994	7,172	7,586	7,250

Italgas Reti Group (Euro million)	as at			as at
	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Share capital	252	252	252	252
Reserves	1,801	1,937	2,131	2,471
Net profit	301	406	340	114
Share capital issued and reserves attributable to shareholders of the parent company	2,354	2,595	2,723	2,837
Minority interests	1	1	1	1
Total shareholders' equity	2,355	2,596	2,724	2,838

Development of the financial structure as a result of the Transaction

The breakdown of the pro-forma net financial debt of the Post-Demerger Snam Group and the Italgas Group at 31 December 2015 and 30 June 2016 is given below. The following pro-forma data were created respectively

from the Snam condensed financial statements at 31 December 2015³³ and from the Snam condensed interim consolidated financial statements at 30 June 2016³⁴ and later adjusted, as illustrated in Paragraphs 4.1 and 7.1, 4.3 and 7.3 of this Information Document in order to retroactively reflect the theoretical effects of the Demerger, and the further reorganisation of the unitary and substantially simultaneous corporate structures (*i.e.* the Contribution and the Sale).

(millions of Euro)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements attributed to Italgas Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Snam Group Post-Demerger (F=D+E)
A. Cash	17	(2)		15	1,693	1,708
B. Other cash equivalents						
C. Securities held for trading						
D. Liquidity (A) + (B) + (C)	17	(2)		15	1,693	1,708
E. Current financial receivables						
F. Current bank payables	1,323			1,323	(1,323)	
G. Current portion of non-current debt	1,378			1,378		1,378
H. Other current financial payables	28			28		28
I. Current financial debt (F) + (G) + (H)	2,729			2,729	(1,323)	1,406
J. Net current financial debt (I) - (E) - (D)	2,712	2		2,714	(3,016)	(302)
K. Non-current bank payables	2,605			2,605	(424)	2,181
L. Bonds issued	8,455			8,455	(24)	8,431
M. Other non-current payables	7			7		7
N. Non-current financial debt (K) + (L) + (M)	11,067			11,067	(448)	10,619
O. Net financial debt (J) + (N)	13,779	2		13,781	(3,464)	10,317

³³ Prepared in accordance with the IFRS and subject to audit by the External Auditors which issued their report on 5 April 2016, made available to the public on the same date and available on the Snam website www.snam.it.

³⁴ Prepared in accordance with the IFRS and subject to a limited audit by the External Auditors which issued their report on 29 July 2016, made available to the public on the same date and available on the Snam website www.snam.it.

(Euro million)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Snam Group Post-Demerger (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
A. Cash	17	(15)		2		2
B. Other cash equivalents						
C. Securities held for trading						
D. Liquidity (A) + (B) + (C)	17	(15)		2		2
E. Current financial receivables						
F. Current bank payables	1,323	(1,323)			2,300	2,300
G. Current portion of non-current debt	1,378	(1,378)	24	24	(24)	
H. Other current financial payables	28	(28)	409	409	(409)	
I. Current financial debt (F) + (G) + (H)	2,729	(2,729)	433	433	1,867	2,300
J. Net current financial debt (I) - (E) - (D)	2,712	(2,714)	433	431	1,867	2,298
K. Non-current bank payables	2,605	(2,605)			1,184	1,184
L. Bonds issued	8,455	(8,455)				
M. Other non-current payables	7	(7)	1,417	1,417	(1,417)	
N. Non-current financial debt (K) + (L) + (M)	11,067	(11,067)	1,417	1,417	(233)	1,184
O. Net financial debt (J) + (N)	13,779	(13,781)	1,850	1,848	1,634	3,482

(Euro million)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Post-Demerger Snam Group (F=D+E)
A. Cash	21	(1)		20	1,245	1,265
B. Other cash equivalents						
C. Securities held for trading						
D. Liquidity (A) + (B) + (C)	21	(1)		20	1,245	1,265
E. Current financial receivables						
F. Current bank payables	1,673			1,673	(1,673)	
G. Current portion of non-current debt	2,168			2,168		2,168
H. Other current financial payables	23			23		23
I. Current financial debt (F) + (G) + (H)	3,864			3,864	(1,673)	2,191
J. Net current financial debt (I) - (E) - (D)	3,843	1		3,844	(2,918)	926
K. Non-current bank payables	2,840			2,840	(424)	2,416
L. Bonds issued	7,493			7,493	(24)	7,469
M. Other non-current payables	1			1		1
N. Non-current financial debt (K) + (L) + (M)	10,334			10,334	(448)	9,886
O. Net financial debt (J) + (N)	14,177	1		14,178	(3,366)	10,812

	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
(Euro million)						
A. Cash	21	(20)		1		1
B. Other cash equivalents						
C. Securities held for trading						
D. Liquidity (A) + (B) + (C)	21	(20)		1		1
E. Current financial receivables						
F. Current bank payables	1,673	(1,673)			2,300	2,300
G. Current portion of non-current debt	2,168	(2,168)	136	136	(136)	
H. Other current financial payables	23	(23)	308	308	(308)	
I. Current financial debt (F) + (G) + (H)	3,864	(3,864)	444	444	1,856	2,300
J. Net current financial debt (I) - (E) - (D)	3,843	(3,844)	444	443	1,856	2,299
K. Non-current bank payables	2,840	(2,840)			1,084	1,084
L. Bonds issued	7,493	(7,493)				
M. Other non-current payables	1	(1)	1,298	1,298	(1,298)	
N. Non-current financial debt (K) + (L) + (M)	10,334	(10,334)	1,298	1,298	(214)	1,084
O. Net financial debt (J) + (N)	14,177	(14,178)	1,742	1,741	1,642	3,383

The consolidated net debt of Snam Group Post-Demerger is lower than the historical figures of the Snam Group as at 31 December 2015 and 30 June 2016 by €3,462 million and €3,365 million respectively, primarily through the settlement by the Beneficiary Company, potentially upon the Transaction (i) of the value of the debt in place attributed to Italgas Group, (€1966 million as at 31 December 2015 and €1866 million as at 30 June 2016 and (ii) the credit generated for the Demerged Company following the Sale of 38.87% of the Snam holding in Italgas Reti to the Beneficiary Company (€1503 million), of which 424 million corresponding to the amount of the loans granted to Snam by the EIB to be settled via the assumption of the Beneficiary Company.

The Consolidated pro-forma net debt of the Beneficiary Company increases compared to the historical figures of the Italgas Reti Group (column D, Post-Demerger Aggregate) as at 31 December 2015 and 30 June 2016, of the total amounts of €1634 million and €1642 million respectively, resulting primarily (i) from the debt arising from the sale of 38.87% of the Snam holding in Italgas Reti (€1503 million) and (ii) the adjustment to the estimate of market value of the debt attributed to Italgas Group.

As a result of the Transaction, the Demerged Company and the Beneficiary Company will respectively continue to wholly own the equity investments heading the transportation, regasification and natural gas storage businesses as well as the corporate area. The corresponding level of financial debt will remain with the Demerged Company for the transportation, regasification and natural gas storage business, while the Beneficiary Company will pay the Demerged Company for the natural gas distribution business.

It is estimated that the pro-forma net financial debt of the Italgas Group at 30 September 2016 stands at €3,588 million, equal to the market value of the net financial debt of the Italgas Reti Group at that date, for an amount equal to €2,085 million, plus the amount of the Vendor Loan of €1,503 million.

Note that the above pro-forma data is not representative of the overall amount of the net financial debt and the distribution which will be highlighted at the effective time of the Demerger and which will be felt in the 2016 cash flows for the part of this financial year not covered by the pro-forma data.

At 30 September 2016 the net financial debt and Italgas Reti group's own funds will stand at €1,960 million and €2,617 million, respectively.

2.5 Documents made available to the public

Pursuant to the applicable legislations and regulations, the following documents are published on the website of the Demerged Company (www.snam.it) and of the Issuer (www.italgas.it) and submitted to and made available by the "NIS-Storage" authorised storage facility managed by Bit Market Services S.p.A. (www.emarketstorage.com), as well as Snam's registered office at Piazza Santa Barbara 7, San Donato Milanese (MI) and Italgas at Via Carlo Bo, 11, Milan.

1. Demerger Plan and related annexes registered with the Milan Companies Register on 1 July 2016;
2. Report by Snam's Board of Directors, in compliance with Annex 3A of the Issuers' Regulation, in relation to the Demerger;
3. Report by Italgas' Board of Directors, in compliance with Artt. 2506-ter and 2501-quinquies, of the Civil Code with regard to the Demerger;
4. Report by the External Auditors on the Pro-forma Consolidated Financial Statements of the Post-Demerger Snam Group for the year ended 31 December 2015;
5. Report by the External Auditors on the Pro-forma Consolidated Financial Statements of the Italgas Group for the year ended 31 December 2015;
6. Reports by the External Auditors on the Forecast Data of the Snam Group and of the Italgas Group contained in this Information Document;
7. Snam's stand-alone financial statements for the year ended 31 December 2015, approved by the Demerged Company's Ordinary Shareholders' Meeting on 27 April 2016;
8. Opinion of Snam's Control, Risk and Related-Party Transactions Committee;
9. Opinion of Prof. Antonio Nuzzo submitted to the Control, Risk and Related-Party Transactions Committee;
10. Snam's annual financial reports for the financial years 2013, 2014, 2015 including the stand-alone and consolidated financial statements and the reports of the Board of Directors and the Independent Auditor;
11. Expert report prepared pursuant to Art. 2343-ter paragraph 2 of the Civil Code with reference to the equity investment held by Snam in Italgas Reti (including the equity investments in investee companies) subject of the Contribution;

12. Expert report prepared pursuant to Art. 2343-*bis* paragraph 2 of the Civil Code with reference to the equity investment held by Snam in Italgas Reti (including the equity investments in investee companies) subject of the Sale;
13. Expert report, requested by Snam on a voluntary basis, in order to estimate the effective value of the shareholders' equity assigned to the Beneficiary Company following the Demerger.
14. Snam Consolidated Interim Financial Report as at 30 June 2016;
15. Report by the External Auditors on the Pro-forma Consolidated Financial Statements of the Post-Demerger Snam Group as at 30 June 2016;
16. Report by the External Auditors on the Pro-forma Consolidated Financial Statements of the Italgas Group as at 30 June 2016;
17. Consolidated Financial Statements of the Italgas Reti Group for the financial years ending 31 December 2015, 2014 and 2013, accompanied by the External Auditors Report; and
18. Condensed interim consolidated financial statements of the Italgas Reti Group as at 30 June 2016, accompanied by the External Auditors Report.

Finally, the Information Document has been made available to the public at the registered office of the Companies Participating in the Demerger, on Snam's website (www.snam.it) and of the Issuer (www.italgas.it) and at the "NIS-Storage" authorised storage facility managed by Bit Market Services S.p.A. (www.emarketstorage.com).

Please see the disclaimer on page 2 of this Information Document.

2.6 Information with regard to the Transaction as carried out with Related Parties

2.6.1 Indication of the Related Parties with which the Transaction has been implemented, the nature of the relationships and the scope and nature of the interests of said Parties

As at the Information Document Date, there are no shareholders purporting to exercise control over Snam as defined in Art. 2359 of the Civil Code and Art. 93 of the TUF. Shareholder CDP declared, with effect from the financial statements as at 31 December 2014, that it had de facto control over Snam within the meaning of international accounting standard IFRS 10 – Consolidated Financial Statements.

As at the Information Document Date, CDP holds stakes, through CDP Reti³⁵ and CDP Gas³⁶ respectively, of 28.98% and 1.12% in Snam's share capital.

As at the Information Document Date, CDP is a Related Party of Snam as defined in Annex 1 to the Regulations on Related-Party Transactions and Art. III(a)(i) of the Snam Procedure on Related-Party Transactions.

³⁵ Company 59.10% owned by CDP.

³⁶ Company wholly owned by CDP.

Considering its overall economic value, the Transaction qualifies as a “major” transaction under the Snam Procedure on Related-Party Transactions.

As clarified by CONSOB Communication DEM/10078683 of 24 September 2010, a genuine proportional demerger whereby the assets and liabilities of a listed company are demerged into the beneficiary company and the shares are allocated proportionately to its shareholders, meaning that these are treated equally, does not constitute a “Related-Party Transaction”. In view of the foregoing, the partial and proportional Demerger of Snam and the allocation to Italgas of a 52.90% stake in Italgas Reti does not constitute a “Related-Party Transaction” and, therefore, should not be subject to the “Major Transaction” procedure set out in Art. 8 of the Regulations on Related-Party Transactions.

Conversely, the Contribution from Snam to Italgas of an 8.23% stake in Italgas Reti and the Sale by Snam to Italgas of a 38.87% stake in Italgas Reti are classified as “Related-Party Transactions” since they were concluded with a related party, *i.e.* Italgas, a wholly-owned subsidiary of Snam. However, Art. 14, paragraph 2 of the Regulations on Related-Party Transactions and Art. X, Paragraph 8 of the Snam Procedure on Related-Party Transactions state that the procedures applied to Related-Party Transactions do not apply to transactions with subsidiaries (Italgas).

As stipulated in the Memorandum of Understanding, Snam, CDP Reti and CDP Gas entered into the Shareholders’ Agreement on 20 October 2016 (with effective date from the Demerger Effective Date) relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder’s Agreement is to ensure a stable and transparent ownership structure of Italgas upon the outcome of the Transaction. The Shareholders’ Agreement has a term of three years and is renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders’ Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders’ Agreement and the general provisions of governance which, following the implementation of the Transaction, shall apply to Italgas and Italgas Reti.

Please see Chapter 2, Paragraph 2.6.2 of this Information Document for more information about the Shareholders’ Agreement.

In the light of CDP’s involvement as a Related Party of Snam, and the correlation between the Transaction and the signing of the Shareholders’ Agreement between Snam, CDP Reti and CDP Gas as provided for by the Memorandum of Understanding, Snam has not availed itself of the aforementioned exemption and has subjected the entire Transaction to the “Major Transaction” procedure set out in Art. 8 of the Regulations on Related-Party Transactions and Art. VI of the Snam Procedure on Related-Party Transactions.

2.6.2 Significant agreements and relationships between Snam, its subsidiaries, executives and the Boards of Directors of Snam and CDP

On 28 June 2016, Snam’s Board of Directors voted to enter into the Memorandum of Understanding that provides that Snam sign the Shareholders’ Agreement with CDP Reti and CDP Gas, relating to its 13.50% stake in the Beneficiary Company. On the same date, the boards of directors of CDP (also on behalf of CDP Gas) and CDP Reti also voted to enter into the Memorandum of Understanding that provides that CDP Reti and CDP Gas sign the Shareholders’ Agreement relating to their 26.05% stake in the Beneficiary Company.

The Shareholders' Agreement was entered into by Snam, CDP Reti and CDP Gas on 20 October 2016 (with effective date from the Demerger Effective Date).

The main characteristics of the Shareholders' Agreement are illustrated below with special reference to the specific rights it gives subscribers of said Shareholders' Agreement:

Shareholders' Agreement

The structure of the Shareholders' Agreement on the stakes in Italgas held by Snam, CDP Reti and CDP Gas will be consistent (i) with the role of CDP as reference shareholder as currently held by CDP in Snam and (ii) with Snam's interest in maintaining an essentially financial interest in Italgas.

In order to achieve the aforementioned objectives, the Shareholders' Agreement contains the following provisions:

- an Advisory Committee shall be established, comprising five members, of whom four will represent CDP Reti (3 members nominated by CDP and 1 by SGEL) and one Snam. The Advisory Committee will resolve through simple majority on the exercise of voting right relating to Italgas shares of members of the Shareholders' Agreement. The parties to the Shareholders' Agreement shall cast their votes, by majority vote in proportion to their shares in Italgas, on the basis of what is resolved by the Advisory Committee, except for the rights of Snam relating to Reserved Matters (as defined below);
- in relation to certain resolutions of Italgas with an extraordinary nature (the "Reserved Matters")³⁷, should the Advisory Committee adopt resolutions with a vote against by the representative designated by Snam, and the Italgas shareholders approve the related Reserved Matter, Snam shall be able to: (i) sell to potential third-party purchasers its entire equity investment in Italgas (in this case CDP Reti shall have a pre-emption right to the equity investment and shall have a right of approval (*non mero*) concerning the third-party purchaser³⁸, it being understood that the third party must enter into the Shareholders' Agreement instead of Snam); and (ii) if no sale of the stake occurs within 12 months, to withdraw from the Shareholders' Agreement resulting in the cancellation of the latter;
- Snam shall not be able to increase or sell off its equity investment in Italgas (the "Snam Equity Investment") in pieces without affecting the transfer of the entire equity investment, under certain conditions, to entities controlled by Snam. Snam may, at any time, sell its equity investment only in

³⁷ The aforementioned Reserved Matters shall be: (i) capital increases with exclusion or limitation of the option right of shareholders for a total amount exceeding 20% of the shareholders' equity of Italgas; (ii) mergers or demergers for a total amount exceeding 20% of the shareholders' equity of Italgas; (iii) wind-up or liquidation of Italgas.

³⁸ CDP Reti will be able to reject its option solely for one of the following reasons:

- a) the third-party purchaser is a direct competitor of Italgas and/or Italgas Reti in the Italian territory; and/or
- b) the third-party purchaser is a direct competitor of Italgas and/or Italgas Reti in the Italian territory; and/or
- c) the third-party purchaser hails from a country against which there are restrictions on free exchange adopted by the competent international organisations; and/or
- d) the purchase of the SNAM equity investment by the third-party purchaser is in violation of the applicable laws; and/or
- e) the Third-Party Purchaser does not have specified size requirements; and/or
- f) conclusion of the potential transaction with the third-party purchaser or the third-party purchaser's adoption of the Shareholders' Agreement generates an obligation for the third-party purchaser, singly or jointly with CDP Reti and CDP Gas, to promote a mandatory initial public offering on the remaining Italgas shares.

its entirety and in compliance with the following rules: (i) CDP Reti shall have a preferential purchase right to this equity investment and not only the right of approval concerning a third-party purchaser³⁹, and (ii) the third party must enter into the Shareholders' Agreement on the same terms and conditions as Snam; and

- CDP Reti, CDP Gas and other parties associated with them shall not be able to acquire additional shares or other financial instruments of Italgas only if: (i) these actions will be conferred in the Shareholders' Agreement, and (ii) these acquisitions would not result in the crossing of the relevant thresholds for the purposes of the rules on the obligation of a public tender offer. In addition, CDP shall not be able to sell the Italgas shares that it holds, if the total equity investment attributable to the Shareholders' Agreement would fall below 30%.

Furthermore, the Shareholders' Agreement shall provide that CDP Reti, CDP Gas and Snam present a joint list for appointment to the Italgas Board of Directors in order to ensure that Snam designates one candidate and CDP Reti designates the remaining candidates (1 of which will be appointed by SGEL), including the CEO and the chairman, on the assumption that this list would come out first by number of votes obtained in the Italgas Shareholders' Meeting.

The Shareholders' Agreement contains provisions that, subject to the Company's admission to trading the shares, will be relevant pursuant to Art. 122(1 and 5) Consolidated finance act and, therefore, may be deemed a voting and lock-up agreement. The Shareholders Agreement will therefore be subject to the communication obligations provided for by art. 122(1) Consolidated finance act and the associated implementation provisions.

The governance of Italgas provides that: (i) the Board of Directors, which will hold office for a period of three years from the appointment (including the year of the appointment) comprises nine members⁴⁰, of whom eight, including the Chairman and CEO, shall be designated by CDP Reti (one shall be designated by SGEL) and one director shall be designated by Snam. The Board of Directors comprises four independent directors, whereas (ii) after the first renewal, the Board of Directors shall comprise nine members, of whom seven shall be drawn from the first list by number of votes and two shall be drawn from the minority lists, using a proportional mechanism (quotients).

The Shareholders Agreement has a term of three years, renewable on expiry for an additional three years in the event Snam or CDP Reti do not indicate an intention to renew with a notice period of 12 months. Where Snam indicates its intention not to renew, CDP Reti may exercise a purchase option on the Snam Equity Investment at fair market value within 9 (nine) months from notification of withdrawal from the Shareholders Agreement.

³⁹ See previous note.

⁴⁰ On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Directors. The Board of Directors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 shall remain in office for three fiscal years, until the date of the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2018 fiscal year. Consequently, the provisions of the bylaws that guarantee – pursuant to Art. 147 ter(3) of the TUF and the Shareholders' Agreement – that two directors are appointed from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting.

Governance of Italgas

Please see Chapter 2, Paragraph 2.1.1 and Chapter 3, Paragraph 3.6 of this Information Document for information about the corporate governance system of Italgas.

Governance of Italgas Reti

Please see Chapter 2, Paragraph 2.1.1 of this Information Document for information about the post-Demerger corporate governance system of Italgas.

2.6.3 Impact of the Transaction on the pay of the directors of the Demerged Company and/or its subsidiaries

As at the Information Document Date, it is not expected that the pay of the directors of Snam and/or its subsidiaries will change as a result of the Transaction.

2.6.4 Members of the management and control bodies, general managers and executives who are part of the Transaction

Within Snam, there are no members of the Board of Directors or Board of Statutory Auditors, general managers or executives who are involved in the Transaction.

2.6.5 Transaction authorisation timetable

On 16 March 2016, the Board of Directors resolved to launch a feasibility study into a possible industrial and corporate reorganisation operation separating Italgas Reti from Snam to be implemented through the partial and proportional Demerger of Snam involving all or part of the equity investment in Italgas Reti. The launch of the feasibility study was announced to the market indicating that the results, together with the new Strategic Plan, would be presented by the end of July 2016.

Snam's new Board of Directors was appointed by the Shareholders' Meeting on 27 April 2016, for the financial years 2016, 2017 and 2018.

On 11 May 2016, the Board of Directors of Snam, in line with the provisions of the Code of Corporate Governance, appointed the members of the Control and Risks and Related-Party Transactions Committee, the Compensation Committee and the Appointments Committee and established the Sustainability Committee, which carries out proposal and consultation functions with regard to the Board of Directors on corporate social responsibility issues and an update to the feasibility study was supplied and the programme of activities relating to the Demerger was discussed.

On 31 May 2016, the Board of Directors approved the change to the corporate timetable and announced that the approval of the Strategic Plan will take place on 28 June 2016. In the same meeting, the Board of Directors was also given an update on the progress of the feasibility study.

Activities of the Control, Risk and Related-Party Transactions Committee

Pursuant to Art. VII of the Snam Procedure on Related-Party Transactions, major transactions are approved by the Board of Directors subject to a favourable reasoned opinion of the Control, Risk and Related-Party

Transactions Committee, which comments on whether it is in the Demerged Company's interest to conclude the transaction and on whether the conditions thereof are substantially fair and appropriate.

The Control, Risk and Related-Party Transactions Committee discussed the aspects relating to the Transaction in its meetings of 26 May 2016, 20 June 2016 and 28 June 2016.

On 26 May 2016, the Control and Risks and Related-Party Transactions Committee examined the various stages into which the Transaction is currently divided and the related timetable with special attention on the aspects regarding relations with CDP because it is a Related Party of Snam. The Committee decided that the agreements with CDP should be submitted to them and, on the other hand, it advised the Company to obtain a specific legal opinion on the subject.

On 20 June 2016, the Control and Risks and Related-Party Transactions Committee examined the Transaction and, specifically, the Memorandum of Understanding.

In compliance with the Snam Related-Party Transactions Procedure and the provisions of the Related-Party Transactions Regulation. (i) on the instructions of Snam's Control and Risks and Related-Party Transactions Committee, the independent expert, Prof. Antonio Nuzzo, was mandated to assist the Control and Risks Committee in the issuing of its opinion on the Transaction, (ii) Prof. Antonio Nuzzo prepared his opinion with regard to the Transaction and, specifically, the Memorandum of Understanding on the expediency and essential correctness of the related conditions; and (iii) on 28 June 2016, Snam's Control and Risks and Related-Party Transactions Committee issued its unanimous favourable reasoned opinion surrounding Snam's interest in proceeding with the Transaction as well as the expediency and essential correctness of the related conditions.

The opinion of the Snam Control and Risks and Related-Party Transactions Committee and the opinion of Prof. Antonio Nuzzo are available to the public as indicated in Chapter 2, Paragraph 2.5 of this Information Document.

The Snam Board of Directors' approval of the Transaction

On 28 June 2016, based on the exploratory documentation received and the favourable opinion of the Control, Risk and Related-Party Transaction Committee, stating that it was in the Demerged Company's interest to proceed with the Transaction and that the conditions thereof were substantially fair and appropriate, the Demerged Company's Board of Directors approved the Transaction. During this meeting, information relating to Snam's Directors' interest in relation to the Transaction was provided, pursuant to the Snam Procedure on Related-Party Transactions.

3. DESCRIPTION OF THE ITALGAS GROUP

3.1 Description of the Issuer's activity

3.1.1 The Group Italgas

Through the industrial and corporate restructuring Transaction, the entire equity investment held by Snam in Italgas Reti (previously called Italgas S.p.A.) as at the Information Document Date, equal to 100% of the share capital of Italgas Reti, will be transferred to Italgas (previously called ITG Holding S.p.A.)⁴¹.

Therefore, the Issuer will serve as a holding company of the equity investment in Italgas Reti. In this regard, the organisational model specifies that the holding company will provide guidelines and controls for the Italgas Group and directly oversee Internal Audit Activities; Legal Affairs, Corporate and Compliance Affairs; Enterprise Risk Management; Human Resources; Investor Relations; Institutional Relations; Finance; Strategic Planning; Consolidated Management Control, Budget services, Reporting Internal Control System.

Italgas Group has a management model which allows management and oversight of all processes, via the definition of a dedicated management structure and the service agreements with Snam and Italgas infragroup service agreements (for more information regarding the service contracts, see Paragraph 3.7 below).

Specifically, Italgas Group independently oversees the following processes related to arrangements with clients and with suppliers:

- for arrangements with clients, via its Commercial division, Italgas Reti provides the activities relating to the maintenance of arrangements between Italgas Reti itself and the distribution users (e.g. sales companies) for the definition and management of the service access process, overseeing commercial relationships for all regulated activities carried out;
- for managing arrangements with suppliers, the Procurement and Material Management division provide the Italgas Reti planning and procurement process, ensuring total management of the supply chain processes in line with the current regulatory framework on procurement, business strategies and the specific business objectives.

Below is a description of the Italgas Group's operations in the above sector.

As a result of the Transaction, the Italgas will be the parent company of the Italgas Group, the Italian leader of natural gas distribution via urban networks.

Italgas will directly control Italgas (100%) and will indirectly control Napoletanagas (99.9%) and ACAM Gas (100%).

⁴¹ The shareholders' meetings of the companies participating in the demerger called for the approval of the Demerger Plan, respectively on 1 August 2016 (Snam) and 4 August 2016 (Italgas), approved the change of name and registered office of the Beneficiary Company with regard to the right already indicated in said Demerger Plan. Therefore, starting from the date the request for admission to trading on Borsa Italiana, the Beneficiary Company took the name of Italgas S.p.A. and transferred its registered office to Milan, Via Carlo Bo, 11. The operational company previously called Italgas S.p.A., as from the date of filing with Borsa Italiana of the request for admission to trading took the name of Italgas Reti S.p.A.

The Italgas Group (now the Italgas Reti Group) holds 1,472⁴² concessions as of 31 December 2015, of which 1,310 are held as Italgas Reti (including the Turin concession for AES which was incorporated into Italgas Reti effective 1 January 2016), 133 are held by Napoletanagas in the Campania region and 29 are held by ACAM Gas in the provinces of La Spezia and Massa Carrara.

As better described in Chapter 2, Paragraph 2.2.1 of this Information Document, Italgas will also hold non-controlling interests in other natural gas distribution companies, for which it will exercise the role of industrial shareholder of reference. These companies, which are not consolidated by Italgas are Toscana Energia (48.08%), Umbria Distribuzione Gas S.p.A. (45%), Metano S. Angelo Lodigiano S.p.A. (50%).

The pro-forma revenues of the Italgas Group in 2015 and in the first half of 2016 are equal to €1,416 million and €652 million⁴³.

For the presentation of other pro-forma financial information on the Italgas Group, see Chapter 4 below of this Information Document.

3.1.2 History

Italgas Reti was founded on 12 September 1837 as Compagnia di illuminazione a Gas per la Città di Torino. It was the first company in Italy, and among the first in Europe, to produce and distribute gas for lighting. The expansion to the rest of Italy started 25 years later, with the new company name Società Italiana per il Gas.

In subsequent years, with the advent of electric power, the company changed its product offering and launched the distribution of manufactured gas for cooking and heating. In 1967, Italgas Reti became part of the Eni Group.

With the progressive affirmation of natural gas and the development of gas pipeline transportation networks since the 1970s, the company focuses on the construction of networks for urban distribution and the sale of gas for domestic use, taking on the leading role in Italy's growth of methanisation. As from 2000, in parallel with new legal provisions on the unbundling of gas distribution activities from selling activities, in 2004 the latter was separated from Italgas and merged with the Gas and Power Division of Eni.

Following its sale by Eni, Italgas Reti has been part of the Snam Group since 1 July 2009.

The shares of Italgas Reti were listed on the MTA of Borsa Italiana from 1900 to 2003.

⁴² Including the 106 concessions of Italgas Reti's non-consolidated investee companies, its total concessions at 31 December 2015 stood at 1,578.

⁴³ This revenue includes the revenues from construction and upgrading of the distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€321 million for 2015 and €137 million for the first half of 2016).

3.1.3 Employees

The following are the numbers of employees of Italgas Group as at 31 December 2015 and 30 June 2016 divided by category and geographic location.

Italgas Group as at 31 December 2015

Company employees	Region	Executive	Middle manager	Admin	Shopfloor	Total	
Italgas S.p.A.	Abruzzo			19	17	36	
	Basilicata		1	19	15	35	
	Calabria		6	61	54	121	
	Campania	2	13	97	2	114	
	Emilia-Romagna			6	6	12	
	Friuli Venezia Giulia			2	29	21	52
	Lazio	3	25	349	448	825	
	Liguria			4	64	62	130
	Lombardy	1	9	76	61	147	
	Marches	1	8	40	23	72	
	Molise				13	6	19
	Piedmont	18	62	316	106	502	
	Apulia		2	33	41	76	
	Sicily	1	12	101	76	190	
	Tuscany				10	10	20
	Umbria			1	29	20	50
	Val d'Aosta				13	3	16
Veneto	1	8	87	76	172		
Italgas S.p.A. Total		27	153	1362	1047	2589	
Napoletana Gas S.p.A.	Campania	2	15	227	194	438	
Napoletana Gas S.p.A. Total		2	15	227	194	438	
Az.Ene.Serv.To S.p.A.	Piedmont		9	73	97	179	
Az.Ene.Serv.To S.p.A. Total			9	73	97	179	
Acam Gas S.p.A.	Liguria	1	3	37	51	92	
Acam Gas S.p.A. Total		1	3	37	51	92	
Grand total		30	180	1699	1389	3298	

Italgas Group as at 30 June 2016

Company employees	Region	Executive	Middle manager	Admin	Shopfloor	Total
Italgas S.p.A.	Abruzzo			19	17	36
	Basilicata		1	19	15	35
	Calabria		5	62	54	121
	Campania	2	12	97	1	112
	Emilia-Romagna			6	6	12
	Friuli Venezia Giulia		2	30	24	56
	Lazio	3	26	349	455	833
	Liguria		4	65	62	131
	Lombardy	1	12	74	60	147
	Marches	1	7	44	23	75
	Molise			13	6	19
	Piedmont	20	72	396	200	688
	Apulia		3	33	41	77
	Sicily		15	102	77	194
	Tuscany			10	11	21
	Umbria		1	29	19	49
	Val d'Aosta			13	3	16
	Veneto	1	7	88	76	172
Italgas S.p.A. Total		28	167	1449	1150	2794
Napoletana Gas S.p.A.	Campania	2	16	225	194	437
Napoletana Gas S.p.A. Total		2	16	225	194	437
Acam Gas S.p.A.	Liguria	1	3	37	51	92
Acam Gas S.p.A. Total		1	3	37	51	92
Grand total		31	186	1711	1395	3323

The Italgas management estimate that as at the Demerger Effective Date there will be 3622 Italgas Group employees with the following allocation by category: 57 executives, 242 middle managers, 1928 admin staff, 1395 shopfloor workers.

Employees working in Italgas Group companies after the Demerger will be guaranteed the conditions and benefits allocated to the employees of the Snam Group as of the Information Document Date, with specific reference to the pension funds and integrated health funds.

In this regard, all managerial staff registered in the Fopdire, Previndai and Fische funds on the Demerger Effective Date will keep the same health and social security cover in place on the Information Document Date, at least for a transitional period. In addition, even with reference to the funds dedicated to non-managerial staff working in Italgas Group companies following the Demerger, the registration in the Fisie health fund and the Fondenergia integrated pension fund will be maintained.

3.1.4 Regulated activities

The distribution service consists of carrying gas through local pipelines from transportation network connection points to points for redelivery to end-users (domestic or industrial customers). The service is carried out on behalf of companies authorised to market gas.

Italgas provides its services to distribution users (*i.e.*, companies which sell gas to end users), which buy the gas from Shippers (as defined in the Glossary) or Traders (as defined in the Glossary), which, in turn, sell to other traders or, usually, to end users, in other words to parties which consume gas for their own use and which are connected to the distribution network at the Redelivery Points (RP), each equipped with meters for measuring the delivered gas.

The main customers of Italgas Reti are investment grade. Any non-compliance by the distribution users, specifically Eni, Enel Energia S.p.A., Edison S.p.A. and Gas Natural Vendita Italia S.p.A. whose agreements have generated in total approximately 80% of the core business revenue of Italgas in 2015, or a delay in complying with their obligations, could have negative effects on the Italgas Group's operations, results, balance sheet and cash flow.

The relationship between the distribution companies and sales companies is governed by a special document prepared by the AEEGSI called the "Network Code," which specifies services performed by the distributor broken down into main services (gas distribution service and distribution plant technical management) and ancillary services (start-up of new plants; activation, deactivation, suspension and reactivation of supply to end customers; group verification of metering at the request of end customers, etc.).

The regulatory context relating to distribution activities was the subject, in the years in question, of successive developments as a result of the gradual liberalisation of the energy market in Italy. From a vertically integrated structure where natural gas distribution and sales activities referred to a legal entity, it moved to an unbundling of the related activities.

At the same time, the regulatory framework of concessions, initially defined mainly on a municipal basis, with tenders also involving private negotiations and concessions with terms of up to 30 years, gradually changed leading to the definition of the ATEMS (supramunicipal areas), defining the relative system and regulations relating to the local tender processes and introducing concessions lasting a maximum of 12 years. This led to a reduction in the number of concessions, greater transparency in the tender processes, competition between operators and it promoted management efficiency.

The breakdown of RPs by Italian region under the scope of the Italgas Reti Group distribution network is as follows:

Region	Italgas concession municipalities	Italgas active RPs (thousands)
Abruzzo	49	153
Basilicata	30	89
Calabria	193	245
Campania	125	743
Emilia-Romagna	7	52
Friuli-Venezia Giulia	59	141
Lazio	171	1,795
Liguria	89	421
Lombardy	86	378
Marche	50	165
Molise	21	29
Piedmont	264	1,141
Apulia	38	274
Sicily	89	367
Tuscany	8	45
Trentino-Alto Adige	1	2
Umbria	31	57
Valle d'Aosta	21	21
Veneto	69	408
TOTAL	1,401	6,526

The company's activity of distributing natural gas is carried out through the operation of an integrated system of the following infrastructure:

- stations for withdrawing gas from the national pipeline network;
- pressure reduction plants;
- local transportation and distribution networks;
- user derivation plants;
- redelivery points where meters are installed at end customers.

This infrastructure, most of which is owned, makes it possible to withdraw gas from the national transportation network and redeliver it to end (domestic or industrial) customers. Gas is also odorised at withdrawal points.

Furthermore, Italgas Reti is engaged in metering activities, which consist of determining, gathering, making available and archiving metering data on natural gas withdrawn over the distribution networks.

Italgas Reti and its subsidiaries operate in the natural gas distribution sector with distinguished expertise and a leadership position in the domestic market. These skills are shown accurately by the commercial and technical quality indicators measured periodically by AEGGSI and compared to its own standards (Resolution 574/2013).

With regard to the regulatory framework for the calculation of tariffs, the main aspects of Resolution 573/2013/R/gas and Resolution 367/2014/R/gas are described below.

Main aspects of Resolution 573/2013/R/gas.

The duration of the regulatory period has been set equal to 6 years, from 1 January 2014 to 31 December 2019, providing for a three-year review of the objectives of the annual rate of change in productivity to be applied to unit costs paid to cover the operating costs of distribution services, measurement and marketing.

The capital invested by distribution businesses (RAB) is broken down into two categories: locally-invested capital and centrally-invested capital.

For the assessment of locally-invested capital, the general criterion of assessment of locally-invested capital is based on the revalued historical cost method.

Criteria of assessment at standard costs were confirmed for investments relating to the electronic meter installation plan.

The parametric method was again used to assess centrally-invested capital in relation to industrial buildings and property and to other fixed tangible and intangible assets.

With regard to centralised assets relating to the remote management systems, remote meter-reading/remote management costs and the concentrator-related costs incurred by companies will be recognised in tariffs for the first three years of the fourth regulatory period; starting from the 2017 tariff year, these costs will be paid on output based criteria.

There are also plans, consistent with the approach adopted in the third regulatory period, to pay 0.8% of the value of gross tangible fixed assets and works in progress, for the purpose of calculating the value of the net working capital.

The Authority has launched a specific procedure aimed, from the 2019 tariff year, at modifying the criteria for assessing new investments, so as to facilitate efficient development of the service in the medium-to-long term by introducing standard costs.

With regard to calculating the remuneration rate (WACC), the Weighted Average Cost of Capital method is confirmed.

The incentives for investments in the replacement of cast iron with hemp- and lead-sealed joints and in modernising odourisation plants (+2% for 8 years) provided for in the previous regulatory period will be eliminated because they are incorporated into the mechanisms for determining rewards and penalties relating to the security of the natural gas distribution service.

The delay in recognition of investments in the previous period is absorbed in the current period (2014-2019) by including assets realised in the year t-1 in the value of invested capital.

Public and private contributions received from 2012 are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of the invested capital and for the purpose of calculating the

amortisation percentages, and are downgraded by the percentage deducted from the amortisation. With reference to the existing stock of contributions at 31 December 2011, the companies could choose, for the period 1 January 2014 – 31 December 2019, from the following two treatment methods:

- a) in continuity with the approach adopted in the third regulatory period, the contributions, not subject to downgrading, are deducted in full from the invested capital while the amortisation is calculated gross of contributions;
- b) in the same way as the treatment of contributions received from 2012, the contributions are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of the invested capital and for the purpose of calculating the amortisation percentages, and are downgraded by the percentage deducted from the amortisation.

In line with the arrangement followed for the definition of the RAB, the amortisation paid is calculated for centralised assets and local assets.

The amortisation of centralised assets is calculated using parametric criteria.

To calculate the amortisation of local assets, the conventional terms defined by the Authority in the third regulatory period, with the exception of the regulatory useful life of assets relating to traditional metering units up to class G6, which was reduced from twenty to fifteen years, in line with the provisions of Law 99/09, were confirmed.

The initial operating cost levels for distribution activities are differentiated by the size of the business and by its customer density, while the initial operating cost levels for metering and marketing activities are established nationally.

For the first three-year period of the 4th regulatory period, the annual reduction rate (X-factor) of the unit costs recognised to cover the distribution operating costs to apply for the tariff updates, is differentiated by the size of the business, while the X-factor of the unit costs recognised to cover the metering and marketing operating costs is fixed at 0%. The annual rates of reduction of the unit costs recognised to cover the operating costs of the distribution, metering and marketing services will be updated by 30 November 2016 with a view to being applied from 1 January 2017 on the basis of a specific procedure to be launched by the Authority in 2016.

Main aspects of Resolution 367/2014/R/gas.

Through Resolution 367/2014/R/gas, the Authority defined the tariff regulation for gas distribution and metering services for the 2014-2019 regulatory period, including, by way of the provisions on area management, the measures pursuant to the earlier Resolution 573/2013/R/gas on municipal and supra-municipal management. The arrangements for area management apply from the concession date.

The initial value of the local fixed assets being transferred for consideration to the incoming operator, with reference to 31 December of the year prior to the one in which the service was awarded by tender, is calculated on the basis of:

- a) the repayment value, pursuant to Article 5 of Decree 226/11 paid to the outgoing operator, if the incoming operator is different from the outgoing operator;
- b) the value of the net local fixed assets paid for regulatory purposes in other cases.

The repayment value of operating assets at 31 December of the year prior to the one in which the service was awarded is structured by the type of asset and the year of entry into operation. The stratification takes place according to the results of the consistency status and/or the expert estimates, if available in full. If they are not available, then the standard stratification will apply, these differentiated according to the year that the local areas served were first supplied, as defined by the Authority. The standard stratification arrangements also apply in cases where the net fixed asset values are not in line with sector averages.

The amount to be reimbursed at the end of the first area concession period is calculated as the sum of:

- a) the residual value of existing stock at the start of the concession period, measured for all assets transferred for consideration to the incoming operator in the second concession period in accordance with the amount mentioned in Article 5 of Decree 226/11, which is reimbursed to the outgoing operator for the first area concession, taking into account amortisation, depreciation and the disposals recognised for tariff purposes during the concession period;
- b) the residual value of new investments realised during the concession period and existing at the end of the period, measured using the revalued historical cost method for the period in which the final amount of the investments is recognised, and as an average of the net value determined using the revalued historical cost method and the net value determined using the standard cost method for the following period.

For area management, with reference to the existing stock of contributions at 31 December 2011, for the period 1 January 2014 – 31 December 2019, the gradual downgrading system is applied: in the same way as the treatment of contributions received from 2012, the contributions are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of the invested capital and for the purpose of calculating the amortisation percentages, and are downgraded by the percentage deducted from the amortisation.

For calculating the annual amortisation rate recognised for tariff purposes for the switch to area management, the useful life of the assets is extended (industrial buildings from 40 to 60 years, street conduits from 50 to 60 years, connections from 40 to 50 years, primary and secondary equipment from 20 to 25 years).

For area management, the unit considerations paid to cover distribution operating costs are differentiated according to the size of the area and gradual criteria are introduced in the updates for the concession years after the third one.

For tariff updates in the first two calendar years after the year in which the area concession was awarded by way of a tender process, the annual rate of reduction of the unit costs recognised to cover the distribution

operating costs is set at 0%. For subsequent years, the annual rate of reduction will be equal to the old municipal management rate for distribution companies serving more than 300,000 redelivery points.

3.1.5 Operational Management

Italgas Reti maintains a high quality standard in customer service that is reflected in its on-going programme to replace pipes and meters, continual oversight of the distribution network and prompt management of the rapid response service that handles emergencies, accidents and breakdowns of the distribution line. In this regard, Italgas Reti has an organisational structure consisting of:

- an integrated supervision centre at the national level consisting of two supervision sites with 24-hour coverage, 365 days a year (this centre remotely controls plants and receives and manages requests for assistance);
- operating units located in the area served and specifically dedicated to the management of assistance.

Data from remote control and remote meter reading is immediately made available to the entire country by means of automated telecommunications technology, making it possible for operating units to have a constantly updated overview of the distribution system's status.

Based on requests received from sales companies, Italgas Reti is responsible for carrying out technical assistance at end customers related to the supply of gas, such as activating and deactivating delivery points, determining gas consumption, transferring ownership of redelivery points, inspecting redelivery and metering systems, executing connections and moving meters.

Over the years, Italgas Reti maintained levels of excellence in accordance with the standards of quality set forth by AEEGSI with Resolution 574/2013. In the same way Italgas demonstrated excellent project management qualities which made it systematically possible over the years to comply with investment budgets.

In support of operating activities, Italgas Reti uses an in-house central laboratory to carry out (including on behalf of affiliates and third parties) the calibration/checking of gas meters, technological and mechanical testing of polyethylene pipes, chemical and odour analyses of gas, calibration and maintenance of metering instruments (electrical measurements, manometers, thermometers, hygrometers and gas detectors). The laboratory operates on the basis of integrated corporate ISO certification standards. In addition, for certain tests (that can be found on the website of the entity ACCREDIA, the Italian Accreditation Agency) and for calibrating gas meters with a capacity of up to 40 m³/h, it is able to issue accredited testing reports and calibration certificates that are valid worldwide.

3.1.6 Non-regulated activities

Italgas Reti built the district heating network of Cologno Monzese (MI), which the company manages under a 40-year concession (expiring in 2038). Italgas Reti provides both the management of the district heating network and the management of the retail energy relationship with the end customer. On 31 December 2015, the network will be extended 8.4 km (including 1.8 km of distribution network and 2.1 km of user branch-offs) supplying 20.5 Mcal to 52 users.

Through the subsidiary Napoletanagas, Italgas manages the water supply service for five municipalities in Campania; these assignments will expire between 2020 and 2021. In 2015, 7.66 million cubic meters of water were sold (7.39 million cubic meters in 2014) to 28,771 customers (28,637 customers in 2014).

Italgas Reti assists the Group companies in carrying out their own operating activities by providing corporate services (planning and control, administrative services, regulation, properties and services, communication, sustainability, security, tax, procurement, HSEQ), operational technology services (including engineering services and laboratory activities), as well as marketing and information services.

The Italgas Group also has fixed assets partly used in the direct functional operation of its business activity and partly leased to Snam Group companies and third-party entities. In 2015 the revenues deriving from real estate leases amounted to overall €5.5 million of which €1.4 million towards companies of the Snam Group.

The table below contains the substance of the Italgas Group fixed assets at the Information Document Date:

TYPE OF PROPERTY	NUMBER
MANAGEMENT OFFICE	1
OPERATIONAL BUILDING	50
INDUSTRIAL BUILDING	59
TECHNICAL FACILITY	912
LAND	33

At the Information Document Date, there were no liens on the properties owned by the Italgas Group capable of having a negative impact on their use by the respective owners.

The table below gives the lease expenses of the Italgas Reti Group at the Information Document Date:

LEASE EXPENSES	No.	FEE (000 Euro/year)
TOTAL	98	3,087
of which:		
to SNAM RETE GAS	11	249
to THIRD-PARTIES	87	2,838

In addition to the above, note that on 12 September 2016 (with effect from 10 October 2016) Italgas signed a rental agreement until 31 October 2018 with BNP Paribas Real Estate Italy S.r.l. for a property located in Milan, Via Carlo Bo, 11, the registered office of the Issuer. The rent for such property is equal to €527,863 (for the time period between 10 October 2016 and 31 October 2017) and €723,000 (for the time period between 1 November 2017 and 31 October 2018).

Without prejudice to what included in this Information Document with respect to the Ostiense Property Complex (see Chapter 2, Paragraph 2.2.1 of this Information Document), in the consolidated financial statements of the Italgas Reti Group for the financial years at 31 December 2015, 2014 and 2013 and in the interim consolidated financial statements of the Italgas Reti Group at 30 June 2016 (incorporated by reference in this Information Document) under the Liabilities line item “Provisions for Risks and Charges”, at the

Information Document Date, to the Issuer's knowledge, there are no further significant environmental issues relating to the use of the material immobilizations of the Italgas Group.

3.1.7 Health, Safety, Environment and Quality

The company is constantly vigilant and effective in its commitment to the environment, health and safety.

Italgas Reti was the first Italian company in the service sector to obtain recognition in the form of the "Integrated Quality, Environment and Safety Certification" in 2001 from the Det Norske Veritas (DNV) international certification organisation, and this was also extended to energy management in 2012. Since then, every six months the Certification Organisation verifies compliance of the company's operations with international standards UNI EN ISO 9001, UNI EN ISO 14001, BS OHSAS 18001 and UNI CEI EN ISO 50001 in order to maintain certification. The commitment to areas such as the environment, health, safety and energy management, which are aimed at providing quality and customer satisfaction, are embodied in the adoption of the "Health, Safety, Environment, Quality and Energy Policy".

3.1.8 Innovation

In keeping with industry regulations in Europe (Energy Efficiency Directive) and Italy (AEEGSI regulations on responsibility for metering and in the area of implementing Smart Metering), Italgas Reti was one of the first distributors in Italy to provide its meters with advanced technologies and in 2009 launched the project "Remote meter reading at gas redelivery points". During the experimentation phase, application products and technological market solutions were closely evaluated. The new AMM-MDM (Automatic Meter Management and Meter Data Management) information systems, equipped with all functions to manage the reading system for remote meter reading and traditional meters, were released in August 2013 for industrial and commercial users and implemented in April 2016 for all other users (over 6 million). With regard to the development of remote meter reading, Italgas Reti implemented the Work Force Management system, making it possible to manage installation, configuration, activation and maintenance of remotely read meters by equipping operational staff with a single tool (tablets).

In addition, starting in 2012 Italgas Reti launched "GasToGo", a new application developed for tablets, which in conjunction with corporate and consumer applications makes it possible to achieve a substantial increase in operating efficiency while reducing costs and improving service quality. Thanks to GasToGo, Italgas Reti manages over 3 million activities both internally and externally, of which about 2 million are with customers, and the remaining activities are for maintenance and rapid response. Employees receive a daily list directly on their tablets showing activities over an optimised path, with the ability to bring up multi-media documents, geolocate network assets and collaborate by email, chats or video calls. GasToGo, which won the SMAU Mob App Award in 2013 and continues to develop through direct integration with remote meter reading devices, the management of work sites and new augmented reality functions.

3.1.9 Characteristics and performance of reference markets

As at 31 December 2015, the Italgas Reti Group had a distribution network of about 57,000 km and concessions in 1,472 municipalities, including 1,401 in operation, with 6.526 million active meters located at gas redelivery points for end customers. In 2015, Italgas Reti and its subsidiaries transported approximately 7.6 billion cubic meters of gas on behalf of approximately 260 sales companies.

The Italgas Reti Group, which has a presence in all areas of Italy supplied with methane gas, has a share of about 30% of the distribution market in terms of the number of redelivery points in Italy, which rises to 34% including associates, the largest of which is Toscana Energia. The latter, in which Italgas Reti has a 48.08% stake, provides a distribution service in 104 municipalities across Tuscany, with about 790,000 active redelivery points, a 7,700 km network under management and over 1 billion cubic meters of gas transported.

The second operator most significant operator in Italy is 2iReteGas S.p.A. with a network of approximately 57,000 km 3.8 million network connections, the equivalent of 17.5% of the Italian market. Hera S.p.A. manages 20,800 km of network serving 1.3 million network connections, the equivalent of 7.4% of the market while A2A Reti Gas S.p.A., with a 5.6% market share, serves 1.25 million network connections and manages 7,600 km of network.

As of 31 December 2015, the top four national operators hold around 60% of the market in terms of network connections served.

Also at the European level, the Italgas Reti Group is in a leading position as the third largest operator in Europe in terms of RPs, after Gaz Réseau Distribution France S.A. in France and National Grid Plc in the U.K.

During recent years the market has seen consolidation, from around 700 operators in 2000 to the current 220. This process was also realised via the aggregation of small and medium-sized operators through the need to acquire economies of scale in order to offer customers high-quality standard services with economic and operating efficiency. The concentration process is more evident in Europe where, with the exception of Germany, all countries have a limited number of distribution operators (*i.e.*, Spain has 5 operators, the U.K. has 31, France 28, Portugal 11 and Austria 20).

Gas distribution activities have traditionally been carried out under concessions. This service, which was previously awarded primarily through direct negotiations, has been assigned only through competitive bidding since 2000 for a period of up to 12 years.

Starting in 2011, M.D. No. 226 of 12 November 2011 specified that the distribution service may only be carried in minimum geographical areas (ATEM), most the size of a province.

Each ATEM is made up of a group of municipalities served by distribution plants that must be managed by a single concession-holder who has been awarded the service contract and is identified after the tender. The average size of minimum geographical areas identified is about 110,000 users, ranging from a minimum of about 20,000 to a maximum of about 1,300,000 users. Also in this case, the maximum term of contracts awarded is 12 years.

As regards the competition scenario, as natural gas distribution is carried out under a legal monopoly and the only form of competition possible is participation in tenders for the assignment of expiring concessions (so-called market competition), the natural gas distribution market takes the form of a bidding market⁴⁴.

⁴⁴ See AGCM, resolutions no. 25550/2015, C11990, SEL-Società elettrica altoatesina/Azienda Energetica; no. 24841/2014, C11940, Hera/AMGA Multiservizi; and no. 24320/2013, C11878, Italgas - Acegas-Aps/Isontina Reti Gas.

In the most recent decisions, the AGCM⁴⁵ continually found that each ATEM (therefore each tender) formed a separate significant market (*i.e.*, the market of future tenders for natural gas distribution service concessions in each ATEM concerned by the concentration operation). In this context, it found that the leading factor influencing the strategy for participation in a tender is prior significant presence in the ATEM, determined on the basis of network connections served within the ATEM before the tender.

This means that the leading competitors must be valued with reference to each ATEM, also in consideration of the presence of neighbouring ATEMs.

In addition, M.D. No. 226/2011 governs tenders in this area and sets criteria for awarding concessions. These criteria are as follows:

- economic conditions;
- levels of safety and quality;
- system development plans.

The regulation requires that the participation of industrial operators in Local Tender Processes involves compliance with the following criteria:

- criterion of a financial nature: an average of revenues 50% higher than the revenues of the ATEM which is the subject of the tender or, alternatively, a suitable bank guarantee for a value 50% higher than the revenues of the ATEM which is the subject of the tender and the reimbursement value to the outgoing operators;
- technical criterion: experience in the management of distribution networks for a number of customers equal to at least 50% of the number of customers of the ATEM which is the subject of the tender or experience in the management of similar concessions and an adequate management structure.

In addition, the regulation requires the party awarded the concession to be obliged to (i) take over the personnel of the outgoing operator with a ratio of not less than 1 employee for every 1500 RPs; and (ii) reimburse departing operators for the plants transferred.

Pursuant to Art. 15, paragraph 5 of Legislative Decree No. 164 of 2000, the Reimbursement Value paid to outgoing operators is calculated as per the agreements and contracts entered into, provided that they are drawn up prior to the date of entry into force of the regulation pursuant to M.D. No. 226/2011 (*i.e.*, before 11 February 2012), and, insofar as it cannot be agreed upon by the parties and for aspects not governed by said agreements or contracts, based on the guidelines on criteria and operating procedures for evaluating the reimbursement provided for by the Ministry of Economic Development in connection with a document dated 7 April 2014 and approved with the Ministerial Decree of 22 May 2014 (the “Guidelines”).

⁴⁵ See AGCM, resolutions no. 24184/2013, C11879, E.S.TR.A. Energia Servizi Territorio Ambiente/Grosseto Energia Ambiente; no. 24320/2013, C11878, Italgas - Acegas-Aps/Isontina Reti Gas; no. 24841/2014, C11940, Hera/AMGA Multiservizi; and no. 25550/2015, C11990, SEL-Società Elettrica Altoatesina/Azienda Energetica.

The Reimbursement Value calculated on the bases of the method provided by Art. 5, paragraphs 5 and 11 of M.D. No. 226/2011 is equal to the cost which should be sustained for its entire reconstruction minus the value of its physical deterioration, including ongoing fixed assets as resulting from the accounting books and deducting government grants and private grants relating to local assets.

If the Reimbursement Value exceeds the value of the local net fixed assets by more than 10%, calculated based on the criteria used by the AEEGSI to determine distribution tariffs (net of public capital subsidies and private contributions relating to local assets), the local granting body shall send the documentation to the AEEGSI to be verified, together with a detailed calculation of the Reimbursement Value.

By means of Resolution 367/2014/R/gas, the AEEGSI defined the tariff regulation for gas distribution and metering services for the 2014-2019 regulatory period. The resolution provided, inter alia, for the following:

- the initial value, recognised for tariff purposes, of the local net fixed assets being transferred for consideration to the incoming operator is determined based on:
 - a) the amount of the reimbursement – pursuant to Art. 5 of M.D. No. 226/2011 – paid to the outgoing operator, in the event that the outgoing operator is different to the incoming operator, determined as the reconstruction value carried forward, net of depreciation and contributions received;
 - b) the value of the local net fixed assets, calculated based on the criteria used by the AEEGSI to determine distribution tariffs, in other cases;
- at the end of the first concession period (12 years), the value of the local net fixed assets will be determined, in both cases (a and b), as the sum of two components:
 - a) the residual value of the existing stock at the start of the concession period, valued based on the amount to be reimbursed pursuant to Art. 5 of M.D. No. 226/2011, taking into account amortisation and depreciation, as well as disposals recognised for tariff purposes during the concession period, and
 - b) the residual value of the new investments made during the concession period and in existence at the end of the period, valued based on the rules used for tariff regulation.

With regard to the timing for conducting tenders, based on the ministerial calendar indicated in Law 11/2015, the launch was planned for July 2015 with a concentration of tenders in the years 2015, 2016 and 2017. The calendar of the Ministry of Economic Development has been updated several times, most recently with the “Milleproroghe” decree converted into law in February 2016.

This decree revised the tender publication dates, leaving the overall time limit almost unchanged, and thus concentrating them in 2016 and 2017. In addition, the decree:

- extended the deadlines for publishing calls for bids (to July 2016 for the first group of minimum geographical areas);

- granted to the Regions an additional six months to exercise their right of substitution, providing, however, for the right of substitution of the Ministry of Economic Development in case of non-compliance by the Regions;
- eliminated the economic penalties for entities in default.

This new configuration therefore calls for the publication of 74 calls for bids in 2016 (including 13 already published in 2015), 98 calls for bids in 2017 and 5 calls for bids in 2018 and 2019.

As at the Information Document Date, 16 calls for bids were published for a total of 17 minimum geographical areas (Cremona 2 and Cremona 3 were grouped), including 1 that was revoked and 6 that were suspended. In addition, the dates for presenting bids or pre-qualifying applications were extended for 7 calls for bids. It should also be noted that appeals were filed by different operators who disputed the lack of full compliance with the regulations of the aforesaid calls for bids. Italgas estimates that the tender process for all 177 ATEMs will probably be concluded during 2021.

Art. 2 of Ministerial Decree 226/2011 governs the entity that manages Local Tender Processes. In particular, the local awarding bodies belonging to each area transfer the tender to award the associated management of the natural gas distribution service to the capital municipality of each province, notwithstanding the option to transfer this role to a company that owns the networks. If the capital municipality of the province does not belong to the local area, then the aforesaid local bodies identify a lead municipality, or another existing entity, such as a company that owns the networks, to be given the role of contracting authority.

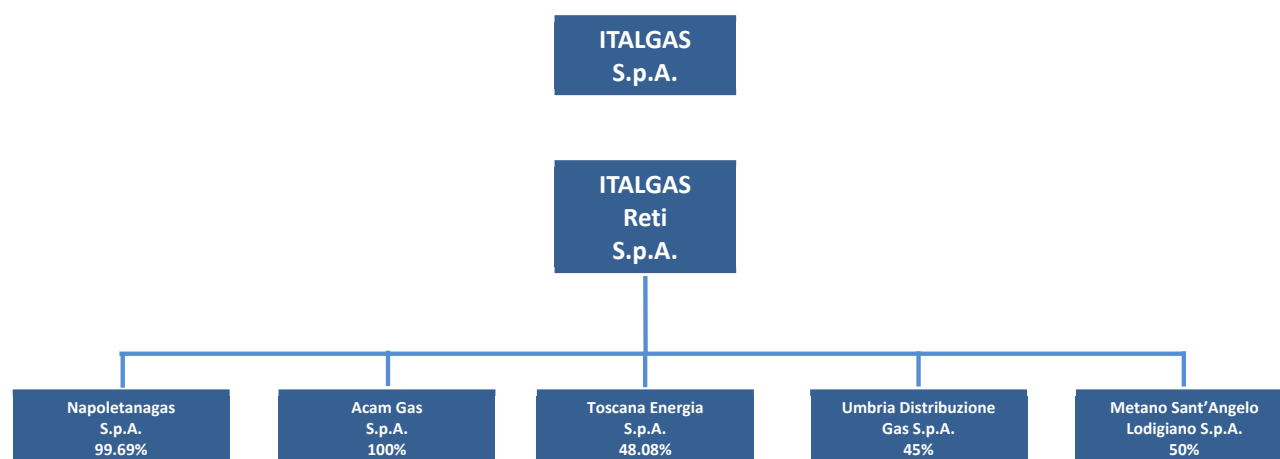
This new framework will entail a radical revision of bidding procedures for current operators who must revise their strategies, since they must compete in areas encompassing several municipalities and at the same time provide better management standards than those specified by the AEEGSI. As a result, the new framework, given the economies of scale and the larger scope of services provided (and therefore the transition to ATEM) should enhance efficiencies and reduce costs.

* * *

Information regarding the market position in specific sectors contained in this section was taken from institutional sources including, primarily, the “Annual Report on the Status of Services and Activities Performed”, AEEGSI, dated 31 March 2016 (published on 21 June 2016), AGCM provisions and internal sources.

3.1.10 List of companies directly or indirectly controlled by Italgas

To sum up, the structure of the companies which, as at the Demerger Effective Date, will be direct or indirect subsidiaries or investee companies of Italgas can be broken down as follows:



The list below contains the companies which, as at the Demerger Effective Date, will be direct or indirect subsidiaries or investee companies⁴⁶, of Italgas:

Company name	Registered office	Share Capital	Portion Owned by the Group %
Italgas Reti S.p.A.	Turin	252,263,314.00	100
Napoletanagas S.p.A.	Naples	15,400,000.00	99.69
ACAM Gas S.p.A.	La Spezia	68,090,000.00	100
Toscana Energia S.p.A.	Florence	146,214,387.00	48.08
Umbria Distribuzione Gas S.p.A.	Terni	2,120,000.00	45
Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	200,000.00	50

3.2 Main income statement and balance sheet indicators

The Issuer was incorporated on 1 June 2016 with a share capital of €50,000 fully subscribed by the sole shareholder Snam. The accounting effects of the Transaction are reflected in the financial statements of Italgas only starting from the Demerger Effective Date. Consequently, there is no historical financial information available about the Beneficiary that could provide the necessary data to assess its assets, income, financial position and future prospects.

In order to represent the financial and operating performance of the Italgas Group after the Demerger, the Information Document therefore necessarily presents financial information for the half-years closed at 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013 of the group which included Italgas Reti whose entire equity interest will be transferred from Snam to Italgas as a result of the Demerger in order to evaluate the key financial figures which will be reported in the consolidated financial statements of the

⁴⁶ Subject to full consolidation or valuation based on the equity method.

Beneficiary Company and related future prospects of the same Beneficiary Company, as provided for by Art. 4-*bis* of Regulation EC 809/2004 (*i.e.*, issuers with a complex financial history).

The type of financial information of the Italgas Reti Group presented in the Information Document is specified in detail below:

- the condensed consolidated financial statements of the Italgas Reti Group, prepared in accordance with the IFRS and concerning interim reporting (IAS 34) for the half-years ended 30 June 2016 and 2015, approved by the Board of Directors of Italgas Reti on 25 July 2016 and subjected to a limited audit by the External Auditors, who issued their report without any adverse remarks on 5 August 2016. Said financial statement is attached to this Information Document;
- the consolidated financial statements of the Italgas Reti Group, prepared in accordance with IFRS for the years ended 31 December 2015, 2014 and 2013, approved by the Board of Directors of Italgas Reti on 18 July 2016 and subject to a limited audit by the External Auditors, who issued their report without any adverse remarks on 29 July 2016. Said financial statement is attached to this Information Document.

The Information Document also contains pro-forma data from 31 December 2015 and 30 June 2016 of the Demerged Company (Chapter 7) and the Beneficiary Company (Chapter 4), prepared, solely for illustrative purposes and in compliance with applicable laws and regulations, in accordance with the applicable accounting standards, for the purpose of providing investors with information about the effects of the Demerger on the results, cash flow and balance sheet of the groups belonging to the Demerged Company and the Beneficiary Company as if the Transaction and the settlement of the positions in place between the Demerged Company and the Beneficiary Company, and the consequent autonomous refinancing on the market of the Italgas Group had occurred at the end of the period to which the above-mentioned dates refer to for the pro-forma consolidated balance sheets and the start of the period for the pro-forma consolidated income statements and statements of cash flows, respectively. Pro-forma consolidated financial statements for the Snam Group Post-Demerger and Pro-forma consolidated financial statements for the Italgas Group have been examined by the External Auditors, who issued their report on 9 September 2016, covering the reasonableness of the basic assumptions used, the correctness of the methodology used and the correctness of the measurement criteria and accounting standards used.

3.2.1 Presentation of Italgas Reti financial statements for the years 2013, 2014 and 2015 and for the half-years ended 30 June 2015 and 2016 and preparation and measurement criteria

Statement of financial position at 31 December 2013, 2014 and 2015

(Euro million)

	31.12.2013		31.12.2014		31.12.2015	
	Total	of which with related parties	Total	of which with related parties	Total	of which with related parties
ASSETS						
Current assets						
Cash and cash equivalents			47		2	
Trade and other receivables	494	281	528	170	575	164
Inventories	11		15		19	
Current income tax assets	13		14		8	
Other current tax assets	2		3		4	
Other current assets	2		2		3	
	522		609		611	
Non-current assets						
Property, plant and equipment	208		226		230	
Intangible assets	3,935		4,284		4,472	
Investments valued using the equity method	335		224		169	
Other non-current assets	4		3		5	
	4,482		4,737		4,876	
Assets held for sale	23		23		24	
TOTAL ASSETS	5,027		5,369		5,511	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	339	339	494	494	409	409
Short-term portion of long-term financial liabilities	29	29	29	29	24	24
Trade and other payables	375	47	414	79	447	90
Current income tax liabilities	1		1		1	
Other current tax liabilities	23		12		9	
Other current liabilities			1			
	767		951		890	
Non-current liabilities						
Long-term financial liabilities	1,296	1,296	1,296	1,296	1,417	1,417
Provisions for risks and charges	219		211		192	
Provisions for employee benefits	76		87		116	
Deferred tax liabilities	305		217		159	
Other non-current liabilities	2		4		6	
	1,898		1,815		1,890	
Liabilities directly associated with assets held for sale	7		7		7	
TOTAL LIABILITIES	2,672		2,773		2,787	
SHAREHOLDERS' EQUITY						
Total Group shareholders' equity	2,355		2,596		2,724	
Capital and reserves attributable to minority interests	1		1		1	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,027		5,369		5,511	

Income statement for the financial years 2013, 2014 and 2015

(Euro million)

	2013		2014		2015	
	Total	<i>of which with related parties</i>	Total	<i>of which with related parties</i>	Total	<i>of which with related parties</i>
REVENUE						
Core business revenue	1,315	879	1,324	654	1,387	796
Other revenue and income	42	15	45	13	32	13
Total income	1,357		1,369		1,419	
OPERATING COSTS						
Purchases, services and other costs	(446)	(72)	(468)	(68)	(449)	(76)
Labour and related costs	(192)	19	(179)	18	(228)	16
Total operating costs	(638)		(647)		(677)	
EBITDA at current values	719		722		742	
Amortisation, depreciation and impairment	(214)		(245)		(273)	
EBIT	505		477		469	
FINANCIAL INCOME (EXPENSES)						
Financial income			6		5	
Financial expense	(70)	(61)	(60)	(56)	(53)	(48)
	(70)		(54)		(48)	
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Equity method valuation effect	60		46		20	
Other income (expense) from equity investments			52		9	
	60		98		29	
PRE-TAX PROFIT	495		521		450	
Income tax paid	(194)		(115)		(110)	
NET PROFIT	301		406		340	
Earnings per share Euro	1.19		1.61		1.35	

Statement of cash flows for the financial years 2013, 2014 and 2015

(Euro million)

	2013	2014	2015
Net profit	301	406	340
Total amortisation and depreciation	214	245	273
Other changes	(59)	(43)	(20)
- equity method equity investments valuation effect	(59)	(43)	(20)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	(3)	14	12
Dividends, interest and taxes	262	114	149
interest income	(1)	(7)	(1)
interest expense	69	58	49
income tax paid	194	115	110
other changes		(52)	(9)
Change in working capital:	55	14	(88)
- inventories	4	(3)	(4)
- trade receivables	4	(25)	(46)
- trade payables	(76)	41	(36)
- allocation (use) of provision for risks and charges	16	(5)	(20)
- other assets and liabilities (including derivative instruments)	107	6	18
Change in provisions for employee benefits		(2)	31
Dividends collected, taxes paid, interest paid and received	(355)	(234)	(180)
- dividends collected	64	47	17
- taxes paid	(360)	(226)	(150)
- interest paid	(60)	(56)	(48)
- interest collected	1	1	1
NET CASH FLOW FROM OPERATIONS	415	514	517
Technical investments	(312)	(325)	(360)
Investments/divestments in business units and equity investments	(17)	(12)	(46)
Change in payables and receivables relating to investments	33	(18)	27
- change in net payables for investments	33	(18)	27
Cash flow from investments	(296)	(355)	(379)
Disposals	17	2	
- tangible and intangible fixed assets	17		
- financial receivables held for operations		2	
Other changes relating to investment activities	3		
- changes relating to divestment activities	3		
Cash flow from divestments	20	2	
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(276)	(353)	(379)
Free cash flow	139	161	138
- taking on long-term financial debt	481	29	162
- repaying long-term financial debt	(12)	(29)	(46)
- increase (decrease) in short-term financial debt	(264)	37	(85)
- dividends distributed	(356)	(157)	(214)
NET CASH FLOW FROM FUNDING ACTIVITIES	(151)	(120)	(183)
Effect of the change in scope of consolidation		6	
NET CASH FLOW FOR THE PERIOD	(12)	47	(45)
Cash and cash equivalents at start of period	12		47

Statement of financial position at 30 June 2016

(Euro million)

	31.12.2015		30.06.2016	
	Total	of which with related parties	Total	of which with related parties
ASSETS				
Current assets				
Cash and cash equivalents	2		1	
Other financial assets held for trading or available for sale				
Trade and other receivables	575	164	473	134
Inventories	19		24	
Current income tax assets	8		7	
Other current tax assets	4		4	
Other current assets	3		6	1
	611		515	
Non-current assets				
Property, plant and equipment	230		226	
Intangible assets	4,472		4,465	
Investments valued using the equity method	169		165	
Other non-current assets	5		5	
	4,876		4,861	
Assets held for sale	24		24	
TOTAL ASSETS	5,511		5,400	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term financial liabilities	409	409	308	308
Short-term portion of long-term financial liabilities	24	24	136	136
Trade and other payables	447	90	340	65
Current income tax liabilities	1		2	
Other current tax liabilities	9		8	
Other current liabilities				
	890		794	
Non-current liabilities				
Long-term financial liabilities	1,417	1,417	1,298	1,298
Provisions for risks and charges	192		205	
Provisions for employee benefits	116		116	
Deferred tax liabilities	159		138	
	6		5	
	1,890		1,762	
Liabilities directly associated with assets held for sale	7		6	
TOTAL LIABILITIES	2,787		2,562	
SHAREHOLDERS' EQUITY				
Total Group shareholders' equity	2,724		2,837	
Capital and reserves attributable to minority interests	1		1	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,511		5,400	

Income statement for the first half of 2015 and 2016

(Euro million)

	First half 2015		First half 2016	
	Total	<i>of which with related parties</i>	Total	<i>of which with related parties</i>
REVENUE				
Core business revenue	650	510	639	521
Other revenue and income	15	2	14	6
Total income	665		653	
OPERATING COSTS				
Purchases, services and other costs	(192)	(37)	(235)	(37)
Labour and related costs	(93)	8	(98)	7
Total operating costs	(285)		(333)	
EBITDA at current values	380		320	
Amortisation, depreciation and impairment	(132)		(142)	
EBIT	248		178	
FINANCIAL INCOME (EXPENSES)				
Financial expenses	(31)	(25)	(29)	(22)
	(31)		(29)	
INCOME (EXPENSE) ON EQUITY INVESTMENTS				
Equity method valuation effect	11		9	
Other income (expense) from equity investments	(1)			
	10		9	
PRE-TAX PROFIT	227		158	
Income tax paid	(63)		(44)	
NET PROFIT	164		114	
Earnings per share	0.65		0.45	

Statement of cash flows for the first half of 2015 and 2016

(Euro million)	First half 2015	First half 2016
Net profit	164	114
Total amortisation and depreciation	132	142
Other changes	(11)	(9)
- net equity investments – (capital gains) capital losses from valuation at shareholders' equity	(11)	(9)
Net capital losses capital gains on asset sales, cancellations and eliminations	5	9
Dividends, interest and taxes	92	66
interest expense	28	22
income tax paid	63	44
other changes	1	
Change in working capital due to operating activities	(24)	69
- inventories	(5)	(5)
- trade receivables	140	183
- trade payables	(23)	8
- allocation (use) of provision for risks and charges	(23)	13
- other assets and liabilities (including derivative instruments)	(113)	(130)
Change in provisions for employee benefits	(2)	
Dividends collected, taxes paid, interest paid and received	(93)	(99)
- taxes paid	(25)	(77)
- interest paid	(68)	(22)
NET CASH FLOW FROM OPERATIONS	263	292
Technical investments	(123)	(140)
Investments/divestments in business units	(46)	
Change in payables and receivables relating to investments	(13)	(45)
- change in net payables for investments	(13)	(45)
Cash flow from investments	(182)	(185)
Other changes relating to investment activities	1	
- changes relating to divestment activities	1	
Cash flow from divestments	1	
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(181)	(185)
Free cash flow	82	107
- taking on long-term financial debt	17	
- repaying long-term financial debt	(29)	(7)
- increase (decrease) in short-term financial debt	(114)	(101)
NET CASH FLOW FROM FUNDING ACTIVITIES	(126)	(108)
NET CASH FLOW FOR THE PERIOD	(44)	(1)
Cash and cash equivalents at start of period	47	2
Cash and cash equivalents at end of period	3	1

The consolidated financial statements of the Italgas Reti Group for the financial years ended 31 December 2015, 2014 and 2013 and the condensed consolidated interim financial statements of the Italgas Reti Group for the half-years ended 30 June 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set out in Art. 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Art. 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretative documents currently force issued by the IFRS Interpretation Committee (IFRS IC), including those previously

issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing Interpretations Committee (SIC). For simplicity, all the above standards and interpretations are hereinafter referred to as “IFRS” or the “International Accounting Standards”. For the full and half-years presented, the IFRSs adopted by the European Commission do not differ from those issued by the IASB.

The consolidated financial statements are prepared on going concern basis and using the historical cost method, taking into account value adjustments where necessary, except the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria, for which please refer to the consolidated financial statements referenced above, annexed to this Information Document.

Information is provided below on the critical accounting estimates used in the preparation of the consolidated financial statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013, and the condensed consolidated financial statements of the Italgas Reti Group at 30 June 2016, which involved a high use of subjective judgements, assumptions and estimates on subjects that are inherently uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimations used could have a significant impact on subsequent results.

Impairment of assets

Assets are impaired when events or changes in circumstances give cause to believe that the book value is not recoverable. The events which may give rise to an impairment of assets include changes in business plans, changes in market prices or reduced use of plants. The decision on whether to apply an impairment and the quantification of any such impairment depend on the assessments of management concerning complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on production costs, production profiles, and conditions of supply and demand.

The impairment is determined by comparing the book value with the related recoverable value, represented by the greater of the fair value, net of disposal costs, and the usage value, determined by discounting the expected cash flows deriving from the use of the asset. The expected cash flows are quantified in light of the information available at the time of the estimate, on the basis of subjective judgements regarding future trends in variables – such as prices, costs, the rate of growth of demand, production profiles – and are updated using a rate that takes account of the risk inherent in the asset concerned.

The logic underpinning the impairment test carried out by company management in relation to the accounting entries property, plant and equipment and intangible assets are illustrated in the section “Impairment of non-financial long-term assets”.

Business Combinations

The reporting of business combination transactions involves the attribution, to the assets and liabilities of the acquired company, of the difference between the acquisition cost and the net book value. For the majority of assets and liabilities, the attribution of the difference is carried out by recognising the assets and liabilities at their fair value. The unattributed portion, if positive, is recognised as goodwill; if negative, it is attributed to the income statement. In the attribution process, the Snam Group draws on the available information and, for the most significant business combinations, on external valuations.

Environmental liabilities

The Snam Group is subject, in relation to its activities, to numerous laws and regulations on the protection of the environment at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. With reference to this legislation, when it is probable that the existence and amount of a large liability can be reliably estimated, provisions are made for the associated costs.

The company does not currently believe that there will be any particularly significant negative effects on its financial statements due to non-compliance with environmental legislation, including taking account of the interventions already made, the possibility can nevertheless not be ruled out that Italgas might incur substantial additional costs or responsibilities, since with the current state of knowledge it is impossible to foresee the effects of future developments, in view of factors such as: (i) the possibility of contaminations emerging; (ii) the possible effects arising from the application of new laws and regulations on the protection of the environment; (iii) the effects of any technological innovations for environmental cleansing; and (iv) the possibility of disputes and the difficulty of determining the possible consequences, including in relation to the liability of other parties and to possible compensation payments.

Provisions for employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, among other things, the discount rates, the expected returns on the assets servicing the plans (where existent), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify the defined benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

The differences in the value of net liabilities (assets) of the employee benefit plans arising from changes in actuarial assumptions and the difference between the previously adopted actuarial assumptions and those that have actually occurred are normal and are called actuarial gains and losses. Actuarial gains and losses relative to defined benefit plans are shown in the table on comprehensive income. Actuarial assumptions are also used for determining obligations relating to other long-term benefits; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are recognised entirely on the income statement.

Provisions for risks and charges

In addition to recognising environmental liabilities and liabilities related to employee benefits, Italgas makes provisions mainly for legal and tax disputes. The estimation of the provisions for these purposes is the result of a complex process involving subjective judgements on the part of the company's management.

3.2.2 Alternative Performance Measures – Introduction

In order to better evaluate the Group Italgas' financial management performance (based on the financial statements for the years ending 31 December 2013, 2014 and 2015 and at 30 June 2016) and the Italgas Group's performance (based on the pro-forma data at 31 December 2015 and 30 June 2016) the management has identified several Alternative Performance Measures ("APM"). Management believes that these APMs provide useful information for investors because they facilitate the identification of significant operating trends and financial parameters.

For a correct understanding of these APMs, note the following:

- (i) the APMs are based exclusively on the Group Italgas Reti's or Italgas Group's pro-forma historical data and are not indicative of the future performance;
- (ii) the APMs are not derived from the International Financial Reporting Standards ("IFRS") and, as they are derived from the consolidated financial statements prepared in conformity with these principles, they are not subject to audit;
- (iii) the APMs should not be considered as replacing the indicators required by IFRS;
- (iv) the APMs should be read together with the financial information for the Group Italgas taken from the consolidated financial statements for the years 2013, 2014 and 2015 and for the half-years ending 30 June 2016 and 2015 attached to this information Document and to the pro-forma financial information of the Italgas Group taken from the pro-forma consolidated financial statements at 31 December 2015 and 30 June 2016 in Chapter 4 of this Information Document;
- (v) since they are not derived from IFRS, the definitions used in connections with the APMs might not be standardised with those adopted by other companies/groups and therefore they are not comparable;
- (vi) the APMs and definitions used herein are consistent and standardised for all the periods for which financial information in this Information Document is included.

The APMs reported below have been identified and used in this Information Document because the Group believes that:

- net financial debt provides a better evaluation of the overall level of debit, the capital solidity and the capacity to repay the debt;
- non-current assets, net working capital and the net invested capital provide a better evaluation of the consistency between the structure of the commitments and that of the sources of funding in time terms;

- performance measurements relating to EBITDA, EBIT and net profit, as well as adjusted configurations, analyze business performance, and provide a better comparison of the results; these indicators are also generally used for the purpose of evaluating company performance.

3.2.3 Group Italgas Reti alternative performance measures

This section contains the APMs for the year 2013, 2014 and 2015, as well as for the first half of 2015 and 2016, obtained from the consolidated financial statements relating to the same years or periods.

3.2.3.1 Alternative Performance Measures relating to balance sheet data

The balance sheet APMs for the Group for the years ending 31 December 2013, 2014 and 2015 and for the half-year ending 30 June 2016 are set out below.

(Euro million)	Note	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Fixed capital	(1)	4,385	4,650	4,761	4,791
Net working capital	(2)	(306)	(211)	(90)	(114)
Net invested capital	(3)	4,019	4,368	4,572	4,579
Net financial debt	(4)	(1,664)	(1,772)	(1,848)	(1,741)

These indicators were extracted from the reconciliation statement of the restated financial statements compared with the mandatory ones, given below.

The tables in the Notes below – Notes (1), (2), (3) and (4) – are provided solely for the purpose of allowing the amounts of these indicators to be associated with the economic and financial parameters of the Italgas Reti Group in the mandatory financial statements, presented in the previous Paragraph 3.2.1 of the three-year consolidated financial statements for the financial years 2013, 2014 and 2015 and the condensed half-year consolidated financial statements as at 30 June 2016 or, where specifically indicated, with the amounts illustrated in the notes to the same financial statements, attached to this Information Document.

Note (1) – Fixed capital

Fixed capital is defined as the sum of the value of property, plant and equipment, intangible assets, net investments and debits relating to investing activities;

(Euro million)

Restated statement of financial position items	31.12.2013	31.12.2014	31.12.2015	30.06.2016
(Where not expressly indicated, the component is obtained directly from the legal format)				
Fixed capital				
Property, plant and equipment	208	226	230	226
Intangible assets	3,935	4,284	4,472	4,465
Equity-accounted investments	335	224	169	165
Financial receivables held for operations (*)	2			
<i>Net payables for investments, consisting of:</i>	(95)	(84)	(110)	(65)
- Receivables from investment/divestment activities (**)	6	5	6	6
- Payables for investment activities (***)	(101)	(89)	(116)	(71)
Total fixed capital	4,385	4,650	4,761	4,791

(*) This amount is shown in note 8 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013, attached to the Information Document.

(**) This amount is shown in note 8 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 4 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.

(***) This amount is shown in note 17 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 13 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.

Note (2) – Net working capital

Net working capital is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provision for risks and charges, deferred tax liabilities and other assets and liabilities:

(Euro million)

Restated statement of financial position items (Where not expressly indicated, the component from the legal format)	31.12.2013		31.12.2014		31.12.2015		30.06.2016	
	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format
Net working capital								
Inventories		11		15		19		24
Trade receivables (i)		357		402		456		273
Tax receivables, consisting of:		33		39		31		32
- IRES receivables for the national tax consolidation scheme	18		22		19		21	
- Current income tax assets (ii)	13		14		8		7	
- Other current tax assets (ii)	2		3		4		4	
Other assets, consisting of:		117		104		102		184
- Other receivables (i)	111		99		94		173	
- Other current assets (iii)	2		2		3		6	
- Other non-current assets (iii)	4		3		5		5	
Trade payables (iv)		(116)		(163)		(133)		(141)
Tax liabilities, consisting of:		(26)		(22)		(38)		(15)
- Current income tax liabilities (ii)	(1)		(1)		(1)		(2)	
- Other current tax liabilities (ii)	(23)		(12)		(9)		(8)	
- Payables for the Group's tax consolidation and VAT payment schemes (iv)	(2)		(9)		(28)		(5)	
Deferred tax liabilities (vi)		(305)		(217)		(159)		(138)
Provisions for risks and charges		(219)		(211)		(192)		(205)
Other liabilities, consisting of:		(158)		(158)		(176)		(128)
- Payments on account and advances (iv)	(2)		(1)					
- Other current liabilities (v)			(1)					
- Other non-current liabilities (v)	(2)		(4)		(6)		(5)	
- Other payables (iv)	(154)		(152)		(170)		(123)	
Total net working capital		(306)		(211)		(90)		(114)

- (i) This amount is shown in note 8 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 4 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.
- (ii) This amount is shown in note 12 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 6 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.
- (iii) This amount is shown in note 11 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 7 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.
- (iv) This amount is shown in note 17 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 13 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.
- (v) This amount is shown in note 18 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 14 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.

- (vi) This amount is shown in note 21 of the Consolidated Financial Statements of the Italgas Reti Group for the years ended 31 December 2015, 2014 and 2013 and note 17 of the condensed consolidated interim financial statements of the Italgas Reti Group at 30 June 2016, attached to the Information Document.

Note (3) – Net invested capital

Net invested capital is the sum of the value of fixed capital, net working capital provisions for employee benefits and assets held for sale and directly associated liabilities:

(Euro million)	31.12.2013	31.12.2014	31.12.2015	30.06.2016
Restated statement of financial position items				
(Where not expressly indicated, the component is directly obtained from the legal format)				
Total fixed capital (*)	4,385	4,650	4,761	4,791
Total net working capital (**)	(306)	(211)	(90)	(114)
Provisions for employee benefits	(76)	(87)	(116)	(116)
Assets held for sale and liabilities directly associated with assets held for sale, consisting of:	16	16	17	18
- Non-current assets held for sale	23	23	24	24
- Non-current liabilities held for sale	(7)	(7)	(7)	(6)
NET INVESTED CAPITAL	4,019	4,368	4,572	4,579

(*) See the previous Note (1) – Fixed capital.

(**) See the previous Note (2) – Net working capital.

Note (4) – Net financial debt

Net financial debt is the sum of the value of short-term and long-term financial payables, net of cash and cash equivalents.

The breakdown of net financial debt at 31 December 2013, 2014 and 2105 from the consolidated financial statements for the years ending at the respective reference dates and from the condensed interim consolidated financial statements for the half-year engine 30 June 2016 is set out below.

	31.12.2013	31.12.2014	31.12.2015	30.06.2016
A. Cash		47	2	1
B. Other cash equivalents				
C. Securities held for trading				
D. Liquidity (A) + (B) + (C)		47	2	1
E. Current financial receivables				
F. Current bank payables				
G. Current portion of non-current debt	(29)	(29)	(24)	(136)
H. Other current financial payables	(339)	(494)	(409)	(308)
I. Current financial debt (F) + (G) + (H)	(368)	(523)	(433)	(444)
J. Net current financial debt (I) – I – (D)	(368)	(476)	(431)	(443)
K. Non-current bank payables				
L. Bonds issued				
M. Other non-current payables	(1,296)	(1,296)	(1,417)	(1,298)
N. Non-current financial debt (K) +(L) + (M)	(1,296)	(1,296)	(1,417)	(1,298)
O. Net financial debt (J) + (N)	(1,664)	(1,772)	(1,848)	(1,741)

3.2.3.2 *Alternative performance measures relating to income statement data*

The alternative performance measures for the years 2013, 2014 and 2015 are set out below.

(Euro million)	Note	Year ending at 31 December			Half-year ending at 30 June	
		2013	2014	2015	2015	2016
EBITDA	(1)	719	722	742	380	320
Adjusted EBITDA	(2)	730	722	782	380	320
EBIT	(1)	505	477	469	248	178
Adjusted EBIT	(2)	516	477	509	248	178
Adjusted net profit	(2)	308	355	346	164	114

The tables in the Notes below – Notes (1) and (2) – are provided solely for the purpose of allowing the amounts of these indicators to be associated with the economic and financial parameters of the Italgas Reti Group in the mandatory financial statements, presented in the previous Paragraph 3.2 of the three-year consolidated financial statements for the financial years 2013, 2014 and 2015 and the condensed half-year consolidated financial statements as at 30 June 2016, attached to this Information Document.

Note (1) – EBITDA and EBIT

EBITDA and EBIT correspond, respectively to the financial statement items “EBITDA” and “EBIT”.

The breakdown of EBITDA and EBIT is obtained from the financial statement items as illustrated below:

(Euro million)	Year ending at 31 December			Half-year ending at 30 June	
	2013	2014	2015	2015	2016
Net profit	301	406	340	164	114
Income tax paid	194	115	110	63	44
Pre-tax profit	495	521	450	227	158
Net income from equity investments	(60)	(98)	(29)	(10)	(9)
Net financial expenses	70	54	48	31	29
EBIT	505	477	469	248	178
Amortisation, depreciation and impairment	214	245	273	132	142
EBITDA	719	722	742	380	320

Note (2) – Adjusted EBIT and adjusted net profit

EBIT and net profit in the adjusted configuration were determined by excluding special items from EBIT and net profit.

When significant, these income items are classified as special items, if: (i) they result from events or transactions that are non-recurrent or from transactions or events which will likely not be repeated and will not affect future periods; (ii) they result from events or transactions that are not representative of normal business activity, which will likely not be repeated and will not affect future periods. 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.

The table below shows the reconciliation of reported net profit with adjusted net profit.

(Euro million)	Year ending at 31 December			Half-year ending at 30 June	
	2013	2014	2015	2015	2016
Net profit	301	406	340	164	114
<i>Excluding special items</i>					
- costs resulting from Gas Fund closure (*)			28		
- adjustment of deferred taxes (2016 Stability Law)		(51)			
- adjustment of deferred taxes (Robin Hood Tax)			(22)		
- charges for voluntary redundancy incentives (*)	7				
Adjusted net profit	308	355	346	164	114
Income tax paid	194	115	110	63	44
- of which special items	(4)	(51)	(34)		
Net financial expenses	70	54	48	31	29
Net income from equity investments	(60)	(98)	(29)	(10)	(9)
EBIT	505	477	469	248	178
<i>Excluding special items</i>	11		40		
Adjusted EBIT	516	477	509	248	178
Amortisation, depreciation and impairment	214	245	273	132	142
EBITDA	719	722	742	380	320
Adjusted EBITDA	730	722	782	380	320

(*) The amounts indicated are net of the related tax effect.

In 2015, income entries classified as special items relate to: (i) the estimate, made on an actuarial basis, of the expenses that the employer is responsible for resulting from the closure, from 1 December 2015, of the Gas Fund pursuant to Law No.125 of 6 August 2015 (€40 million; €28 million net of the tax effect)⁴⁷. The total estimated cost is related to work previously carried out, and therefore is posted in full in the income statement at the time of valuation; (ii) the income resulting from the adjustment in deferred tax as a result of the reduction in IRES from 27.5% to 24% (€22 million) as of 1 January 2017 pursuant to Law 208/2015 (2016 Financial Stability Law) implementing the “Provisions for preparation of the annual and multi-annual financial statements of the State”, published in the Official Gazette of 30 December 2015 and in force as of 1 January 2016.

In 2014, income components classed as special items related to the effects of adjusting deferred taxes after the application of the additional IRES, the so-called “Robin Hood Tax”, was declared unconstitutional as of 12 February 2015 (€51 million).

In 2013 the components of operating income classified as special items related to the charges for voluntary redundancy incentives connected to the redundancy programme launched by Snam in November 2013 pursuant to Law 223/91 (€11 million; €7 million net of the related tax effect). The one-year plan concerns approximately 140 individuals in the Group Italgas Reti.

⁴⁷ In particular, Artt. 9-decies and 9-undecies of the Law required the employer must make: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020; and (ii) a contribution in favour of those registered or in voluntary prosecution of the contribution, that at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration to the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated to the employer or the supplementary pension scheme.

3.2.4 Group Italgas Reti pro-forma alternative performance measures

This section also contains the pro-forma APMs of the Italgas Group for the year ending 31 December 2015 and the half-year ending 30 June 2016 derived from the pro-forma data at such reference dates as set forth in Paragraphs 4.1 and 4.3 as well as the methods for calculating several economic and financial indicators in relation to the number of outstanding shares, provided in Paragraphs 4.2 and 4.4.

(Euro million)	Note	Financial year ending 31 December 2015	Half-year ending 30 June 2016
EBITDA	(1)	735	313
EBIT	(1)	462	171
Net financial debt	(2)	(3,482)	(3,383)
Net profit per share	(3)	0.332	0.032
Shareholders' equity per share attributable to shareholders of the parent company	(4)	1.40	1.53
Net cash flow per share	(5)	(0.02)	0.01

Note (1) – EBITDA and EBIT

EBITDA and EBIT correspond, respectively to the financial statement items “EBIT” and the sum of the values referred to the latter and amortisation and write-downs.

The breakdown of EBITDA and EBIT was obtained from the pro-forma financial statement items as illustrated below:

(Euro million)	Financial year ending 31 December 2015	Half-year ending 30 June 2016
Net profit	269	26
Income tax paid	83	11
Pre-tax profit	352	37
Net income from equity investments	(29)	(9)
Net financial expenses	139	143
EBIT	462	171
Amortisation, depreciation and impairment	273	142
EBITDA	735	313

Note (2) – Net financial debt

Net financial debt is the sum of the short-term and long-term financial payables, net of cash and cash equivalents.

The breakdown on the pro-forma net financial debt of Italgas Group at 31 December 2015 and 30 June 2016 from the pro-forma data provided in Paragraphs 4.1 and 4.3 is set out below.

	31.12.2015	30.06.2016
A. Cash	2	1
B. Other cash equivalents		
C. Securities held for trading		
D. Liquidity (A) + (B) + (C)	2	1
E. Current financial receivables		
F. Current bank payables	(2,300)	(2,300)
G. Current portion of non-current debt		
H. Other current financial payables		
I. Current financial debt (F) + (G) + (H)	(2,300)	(2,300)
J. Net current financial debt (I) – I – (D)	(2,298)	(2,299)
K. Non-current bank payables	(1,184)	(1,084)
L. Bonds issued		
M. Other non-current payables		
N. Non-current financial debt (K) +(L) + (M)	(1,184)	(1,084)
O. Net financial debt (J) + (N)	(3,482)	(3,383)

Note (3) – Net earnings per share

This indicator was calculated from the net profit attributable to the parent company's shareholders for the period in relation to the average number of outstanding shares as follows:

		Pro-forma data of the Italgas Group at 31 December 2015	Pro-forma data of the Italgas Group at 30 June 2016
Ordinary shares issued at end of period	(million)	809.1	809.1
Weighted average of shares outstanding during the period	(million)	809.1	809.1
Net profit	(million)	269	26
Net profit per share	(Euro)	0.332	0.032

Note (4) – Shareholders' equity per share attributable to parent company's shareholders

This indicator was calculated from the shareholders' equity attributable to the parent company's shareholders for the period in relation to the average number of outstanding shares as follows:

		Pro-forma data of the Italgas Group at 31 December 2015	Pro-forma data of the Italgas Group at 30 June 2016
Ordinary shares issued at end of period	(million)	809.1	809.1
Weighted average of shares outstanding during the period	(million)	809.1	809.1
Shareholders' equity attributable to shareholders of the parent company	(million)	1,131	1,239
Shareholders' equity per share attributable to shareholders of the parent company	(Euro)	1.40	1.53

Note (5) – Net cash flow per share

This indicator was calculated from the net cash flow for the period in relation to the average number of outstanding shares as follows:

		Pro-forma data of the Group Italgas at 31 December 2015	Pro-forma data of the Group Italgas at 30 June 2016
Ordinary shares issued at end of period	(million)	809.1	809.1
Weighted average of shares outstanding during the period	(million)	809.1	809.1
Net cash flow	(million)	(14)	12
Net cash flow per share	(Euro)	(0.02)	0.01

3.2.5 Other information

3.2.5.1 Exchange Rates

The table below shows the average noon-buying, high, low and period-end exchange rates based on the exchange rates certified by the Federal Reserve Bank of New York (<https://www.federalreserve.gov/releases/h10/hist/>).

These exchange rates may differ from those actually used in the preparation of the financial information included and/or incorporated by reference in this Information Document and does not assume any responsibility for the fact that no amount expressed in the currency below has been or might be converted into the other currency to such exchange rate or to another exchange rate.

Period	USD per 1 EURO			
	Period average	High	Low	Period end
Financial year ending 31 December 2013	1.3281	1.3816	1.2774	1.3779
Financial year ending 31 December 2014	1.3297	1.3927	1.2101	1.2101
Financial year ending 31 December 2015	1.1096	1.2015	1.0524	1.0859
Half-year ending 30 June 2016	1.1167	1.1516	1.0743	1.1032

3.2.5.2 Contractual Obligations

The table below shows the contractual obligations of the Italgas Reti Group at 31 December 2015:

(Euro million)	Total	Maturing with 12 months	Maturing between 1 and 3 years	Maturing between 3 and 5 years	Maturing after 5 years
Long-term financial liabilities	1,441	24	519	210	688
Operating leases	3	2	1	-	-
Commitments:	496	275	156	32	33
- Goods	63	56	7	-	-
- Works	168	108	59	1	-
- Services	265	111	90	31	33
Total	1,940	301	676	242	721

The long-term financial liabilities include fixed-rate and variable-rate loans to the parent Snam. Regarding the transaction, pursuant to Art. 93 of the TUF, following the loss of control of Snam over Italgas Reti, the latter will be required to repay the loans made to it by the Demerged Company. In addition to the settlement of pre-existing financial transactions, the Beneficiary Company will also be required to liquidate the Vendor Loan resulting from the Sale transaction. In order to liquidate the amounts referenced, the Italgas Group will have to fund itself independently on the market according to the procedures described in paragraph “3.7.2 *Loan Agreements*” and summarised as follows:

- a. a Bridge to Bond loan, provided by a pool of 11 banks for a committed amount equal to €2.3 billion for a duration of 12 months, renewable twice for a further 6 months each time, solely at the borrower’s option. This loan may be repaid after a bond issue;
- b. two revolving credit lines provided by the same pool of banks, for a committed amount of €600 million and €500 million with a duration of 3 and 5 years, respectively;
- c. three Term loans two of which with a duration of 14 months and one with a duration of 3 years, for a total amount of €500 million, provided by three of the 11 banks participating in the pool.

The commitments reported refer mainly to the Italgas Reti Group’s investment plan, to which the Italgas Reti Group was already committed on 31 December 2015.

3.3 Comments to the main economic and financial indicators of the Italgas Reti Group for the financial years 2015, 2014 and 2013

3.3.1 Main economic indicators of the Italgas Reti Group for the financial years 2013, 2014 and 2015

The main economic performance measures examined below at Italgas Reti Group level are represented by revenue, with a focus on regulated revenue, EBITDA, (also in its adjusted configuration), EBIT, adjusted EBIT, net profit and adjusted net profit. The tables below summarise such values for the years 2013, 2014 and 2015. These indicators, as illustrated in detail in Paragraph 5.2 have been calculated from the economic parameters in the mandatory financial statements of the three-year consolidated financial statements for the financial years 2013, 2014 and 2015 of the Italgas Reti Group as at 30 June 2016, attached to this Information Document.

In addition, set forth below is a comparison of these economic performance measures achieved in 2015 with those achieved in 2014 and 2013. With respect to the Group Italgas Reti, the historical data reported refers to the distribution sector already included in the Snam Group. The data, which is an integral part of the Snam Group’s consolidated financial statements (subject to auditing by EY), has been prepared on the basis of the same accounting principles used in the preparation of the Snam Group’s consolidated financial statements for the three reference financial years. Also note that financial results for 2015 include results of ACAM Gas, wholly consolidated since 1 April 2015 and Metano Arcore S.p.A. (“Metano Arcore”) and SETEAP S.p.A. (“SETEAP”), which merged with Italgas Reti and Napoletanagas respectively, effective as from 1 January 2015. With reference to the full consolidation of AES Torino from 1 July 2014, the economic effects are reported, respectively for the whole of 2015 and six months of 2014.

(Euro million)	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Revenue (*)	1,038	1,053	1,098	45	15	4.3%	1.4%
- of which from regulated activities (*)	1,008	1,026	1,071	45	18	4.4%	1.8%
EBITDA	719	722	742	20	3	2.8%	0.4%
Adjusted EBITDA	730	722	782	60	(8)	8.3%	(1.1%)
EBIT	505	477	469	(8)	(28)	(1.7%)	(5.5%)
Adjusted EBIT	516	477	509	32	(39)	6.7%	(7.6%)
Net profit	301	406	340	(66)	105	(16.3%)	34.9%
Adjusted net profit	308	355	346	(9)	47	(2.5%)	15.3%

(*) Only for the reclassified income statement, revenue from the construction and upgrading of distribution infrastructure entered in accordance with IFRIC 12 and recognised in an amount equal to the costs incurred (€319, €316 and €321 million respectively in 2013, 2014 and 2015) is shown as a direct reduction of the respective cost items.

3.3.2 Performance of the main economic indicators of the Group Italgas Reti in 2015 compared with 2014

Revenue

Revenue for 2015 net of components which are offset in costs⁴⁸, amounts to €1,090 million, an increase of €46 million from 2014 (+ 4.4%), resulting from an increase in revenue due to regulated activities described below.

Regulated revenues, net of components that are offset in costs, amounts to €1,063 million, up by €46 million compared with 2014(+ 4.5%). This increase is primarily due to the positive change in the scope of consolidation (by +€47 million, €33 of which million relates to AES Torino and €14 million to ACAM Gas).

EBITDA and adjusted EBITDA

EBITDA for 2015 amounts to €742 million, an increase of €20 million from 2014 (+2.8%). This increase resulted from: (i) a €46 million increase in revenue for the period, net of components that are offset in costs; (ii) an increase of €25 million in operating costs that is primarily attributable to the increase in labour costs resulting from lower capitalisation and higher costs for external services for remote meter reading.

Adjusted EBITDA in 2015, determined by excluding special items⁴⁹, amounts to €782 million, which is an increase of €60 million from 2014 (+8.3%). In 2015 income components classified in special items relate to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as of 1 December 2015, of the Gas Fund pursuant to Law 125 of 6 August 2015 (€40 million). Total estimated

⁴⁸ These components refer to revenue from the repayment, by the Cassa per i Servizi Energetici e Ambientali (hereinafter CSEA), of the expenses related to the interruption of the supply of redelivery points requested by the sales companies pursuant to Art. 12-bis, annex A, of the Testo Integrato Morosità Gas (TIMG) which stood at 31 December 2015 at €8 million and at 31 December 2014 at €9 million and at 31 December 2013 at €1 million.

⁴⁹ When significant, income items if: (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 accounting principles. Management considers that these performance metrics allow for analysis of the business trends, making it easier to compare results.

expenses relate to the provision of past services and, therefore, were entirely recorded in the income statement at the time of the evaluation.

EBIT and adjusted EBIT

EBIT for 2015 amounts to €469 million, a decrease of €8 million from 2014 (-1.7%). In addition to from the above-mentioned differences relating to revenue and operating costs, the decrease resulted from the increase in amortisation, depreciation and impairments, which was equal in total to -€28 million, and which related mainly to the change in the scope of consolidation.

Adjusted EBIT for 2015 amounts to €509 million, an increase of €32 million from 2014. The income components classified in special items for 2015 relate to the above-mentioned estimate of charges sustained by the employer due to the elimination, as of 1 December 2015, of the Gas Fund pursuant to Law 125 of 6 August 2015 (€40 million).

Net profit and adjusted net profit

Net profit for 2015 amounts to €340 million, a decrease of €66 million compared with December 2014 (-16.3%). The reduction is due a combination of: (i) the above-mentioned decrease in EBIT of -€8 million; (ii) the reduction in net financial expense of €6 million; (iii) the decrease in net income from equity investments of -€69 million resulting mainly from the effects of the revaluation, in 2014, of the stake previously held in AES Torino (49%); and (iv) lower income taxes for the period equal to €5 million.

Adjusted net profit for 2015 amounts to €346 million, a decrease of €10 million compared with 2014 (-2.8%).

In 2015, income entries classified as special items for 2015 relate to: (i) the above-mentioned estimate for the Gas Fund (€40 million, €28 million net of the tax effect) and (ii) income resulting from an adjustment in deferred tax as a result of the reduction in IRES from 27.5% to 24% (€22 million) as of 1 January 2017 pursuant to Law 208/2015 (2016 Financial Stability Law) implementing the “Provisions for preparation of the annual and multi-annual financial statements of the State”, published in the Official Gazette of 30 December 2015 and in force as of 1 January 2016.

In 2014, income components classified as special items related to the effects of adjusting deferred taxes after the application of the additional IRES, the so-called “Robin Hood Tax”, was declared unconstitutional as of 12 February 2015 (€51 million).

3.3.3 Performance of the main economic indicators of the Group Italgas Reti in 2014 compared with 2013

Revenue

Revenue for 2014, net of components offset in costs, amounts to €1,044 million, an increase of €6 million compared with 2014 (+0.6%).

Regulated revenue, net of items that are offset in costs, amounted to €1,017 million, an increase of €9 million from 2013 (+0.9%). The increase was due to the change in the scope of consolidation (+€38 million), partly offset by the tariff update⁵⁰ (-€16 million) and lower capital gains from the disposal of assets (-€11 million).

EBITDA and adjusted EBITDA

EBITDA for 2014 amounts to €722 million, an increase of €3 million from 2013 (+0.4%). This increase is attributable to: (i) the increase in revenue for the period of €6 million, net of items that are offset in costs⁵¹; (ii) higher operating costs of €3 million net of components that are offset in revenue, which are primarily due to the greater provision for risks and charges for adjustments of facilities (-€20 million), and which is partly offset by lower net expenses resulting from the management of the TEE (+€14 million).

Adjusted EBIT in 2014, which was determined by excluding special items, decreased by €8 million from 2013. In 2013, the income components classified under special items for 2013 included the charges for voluntary redundancy incentives connected to the redundancy programme pursuant to Law No. 223/91 (€11 million), which concerned 138 individuals.

EBIT and adjusted EBIT

EBIT for 2014 amounts to €477 million, a decrease of €28 million from 2013 (-5.5%). In addition to the above-mentioned increase in revenue and operating costs, the decrease resulted from the increase in amortisation, depreciation and impairment, which equal to €31 million resulting mainly from the reduction of the useful life of certain metering systems (from 20 to 15 years), subject to revision by the AEEGSI for tariff purposes (-€11 million) and the change to the scope of consolidation (-€9 million).

Adjusted EBIT for 2014 decreased by €39 million from 2013, which was a result of the above-mentioned income components classified under special items in 2013 that related to voluntary redundancy incentives for the voluntary redundancy plan pursuant to Law No. 223/91 (€11 million).

Net profit and adjusted net profit

Net profit for 2014 amounts to €406 million, an increase of €105 million from 2013, which is mainly a result of a combination of: (i) the above-mentioned decrease in EBIT of €28 million; (ii) the reduction in net financial expense of €16 million; (iii) the increase in net income from equity investments of €38 million; and (iv) the lower income taxes for the period equal to €79 million.

Adjusted net profit for 2014 amounts to €355 million, an increase of €47 million from 2013. The 2014 income components classed as special items related to: (i) the effects of adjusting deferred taxes after the application of the additional IRES, the so-called Robin Hood Tax, was declared unconstitutional as of 12 February 2015 (€51 million) and (ii) the voluntary redundancy incentives for the voluntary redundancy plan pursuant to Law No. 223/91 (€11 million; €7 million net of the related tax effect).

⁵⁰ Tariff criteria in force relate to the fourth regulation period (1 January 2014 - 31 December 2019).

⁵¹ At 31 December 2014 these items amounted to €9 million and at 31 December 2013 to €1 million.

3.3.4 Main financial indicators of the Italgas Reti Group at 31 December 2013, 2014 and 2015

The tables below summarise the values relating to the main financial Alternative Performance Measures of the Group Italgas Reti at 31 December 2013, 2014 and 2015. With respect to Group Italgas Reti this historical data reported refers to the distribution sector already included in the Snam Group. The data, which is an integral part of the Snam Group consolidated financial statements (subject to auditing by EY), has been prepared on the basis of the same accounting principles used in the preparation of the Snam Group consolidated financial statements for the three reference financial years.

The comments on the economic and financial parameters on the basis of which, as illustrated in detail in Paragraph 5.2, the indicators in the table below have been calculated, are given in the three-year consolidated financial statements for the financial years 2013, 2014 and 2015 and in the condensed half-year consolidated financial statements of the Italgas Reti Group as at 30 June 2016, attached to this Information Document.

Also note that the financial results at 31 December 2015 include data of ACAM Gas, fully consolidated from 1 April 2015, and Metano Arcore and SETEAP, subject to merger by incorporation respectively into Italgas Reti and Napoletanagas, with effect from 1 January 2015. The data at 31 December 2014 and 2015 also include AES Torino fully consolidated from 1 July 2014.

(Euro million)	31.12.2013	31.12.2014	31.12.2015	Change 31.12.2015 vs. 31.12.2014	Change 31.12.2014 vs. 31.12.2013
Fixed capital	4,385	4,650	4,761	111	265
Net working capital	(306)	(211)	(90)	121	95
Net invested capital	4,019	4,368	4,572	204	349
Net financial debt	(1,664)	(1,772)	(1,848)	(76)	(108)

3.3.5 Performance of the main financial indicators of the Group Italgas Reti in 2015 compared with 2014

Fixed capital at 31 December 2015 amounted to €4,761 million, an increase of €111 million compared with 31 December 2014 (+2.4%) as a result of the increase in property, plant and equipment intangible non-current assets, for a total amount of €192 million in view of the consolidation of Acam Gas and new investments net of contributions and amortisation and depreciation. This increase was offset by: (i) the reduction in equity investments of €55 million, mainly as a result of the full line-by-line consolidation Acam Gas €-50 million); (ii) the increase in net payables relative to investing activities (€-26 million).

Net working capital at 31 December 2015 amounted to €90 million, an improvement compared to 31 December 2014 of €121 million, attributable in particular to: (i) the reduction in the deferred tax liabilities provision (+€58 million) mainly due to the elimination as of 1 January 2015 of the IRES surtax known as the “Robin Hood Tax” worth €33 million and the reduction of the IRES income tax rate from 27.5% to 24% in accordance with the Stability Law 2016 worth €23 million; (ii) higher trade receivables of €54 million; (iii) the reduction in trade payables (+€30 million) mainly due to the payments deferred from 2014 to 2015.

Net invested capital, equal to €4,572 million at 31 December 2015, increased compared to 31 December 2014 by €204 million (+4.7%) due to the increase in fixed assets and the improvement in net working capital of €111 million and €121 million respectively, partially offset by the increase in provisions for employee benefits due to the closure of the Gas Fund (€-29 million).

Net financial debt at 31 December 2015 was €1,848 million, an increase of €76 million (€1,772 million at 31 December 2014). Net cash flow from operations was €517 million financed net investments (€379 million), generating a free cash flow of €138 million. Net financial debt, after the payment of the dividend for distribution of profits from previous years equal to €214 million, saw an increase of €76 million.

3.3.6 Performance of the main financial indicators of the Group Italgas Reti in 2014 compared with 2013

Fixed capital at 31 December 2015 amounted to €4,650 million, an increase of €265 million compared with 31 December 2013 (+6%) as a result of the increase in net fixed assets equal to €367 million in view of the consolidation of AES Torino (€283 million) and new investments net of contributions and amortisation and depreciation, partially offset by the reduction in equity investments, equal to €111 million, mainly due to the full line-by-line consolidation of AES Torino (€-126 million).

Net invested capital at 31 December 2014 amounted to €211 million, an improvement compared to 31 December 2013 of €95 million, attributable in particular to: (i) the reduction in the deferred tax liabilities provision (+€88 million) mainly due to the cancellation of the “Robin Hood Tax” (€+51 million); and (ii) higher trade receivables of €45 million. These effects have been partially offset by the increase in trade payables of €47 million.

Net invested capital was €4,368 million at 31 December 2014, an increase of €349 million compared with 31 December 2013 (+8.7%) as a result of the increase in fixed capital (€265 million) and the improvement in net invested capital (€95 million) described above.

Financial debt at 31 December 2015 was €1,772 million, an increase of €108 million (€1,664 million at 31 December 2013). Net cash flow from operations was €514 million financed net investments (€353 million), generating a free cash flow of €161 million. Net financial debt increased by €108 million, after the payment of the dividend of €157 million and the other changes equal to €112 million, mainly relative to the consolidation of AES Torino.

3.4 Comments to the main economic and financial indicators of the Italgas Reti Group for the half-years ending 30 June 2016 and 30 June 2015

3.4.1 Main economic indicators of the Italgas Reti Group for the half-years ending 30 June 2016 and 30 June 2015

The main economic performance measures below at Group Italgas Reti level, are represented by revenue, EBITDA, EBIT and net profit. The tables below summarise the values relating to the half-years 2015 and 2016. The below tables summarise these amounts for the half years ending 30 June 2015 and 2016. These indicators, as illustrated in detail in paragraph 3.2., above, have been calculated based on the amounts shown in the mandatory parts of the condensed consolidated interim financial statements as at 30 June 2016 of the Italgas Reti Group, which is annexed to this Information Document.

In addition, set forth below is a comparison of these performance measures achieved in the first half of 2016 against those achieved in the same period in 2015. With respect to the Group Italgas Reti, this historical data reported refers to the distribution sector already included in the Snam Group. The data, which is an integral part of the Snam Group consolidated financial statements (subject to auditing by EY), has been prepared on the basis of the same accounting principles used in the preparation of the Snam Group's consolidated financial statements for the reference periods. Also note that the data includes ACAM Gas, wholly consolidated from 1 April 2015, with reference to the second quarter of 2015 and the entire half-year with reference to 2016.

(Euro million)	First half		Change	% change
	2015	2016		
Revenue (*)	543	516	(27)	(5.0%)
- of which from regulated activities (*)	532	505	(27)	(5.1%)
EBITDA	380	320	(60)	(15.8%)
EBIT	248	178	(70)	(28.2%)
Net profit	164	114	(50)	(30.5%)

(*) Only for the reclassified income statement, revenue from the construction and upgrading of distribution infrastructure entered in accordance with IFRIC 12 and recognised in an amount equal to the costs incurred (€122 and €137 million respectively in 2015 and 2016) is shown as a direct reduction of the respective cost items.

3.4.2 Performance of the main economic indicators of the Group Italgas Reti in the half-year 2016 compared with the half-year 2015

Revenue

Revenue for the first half of 2016, net of components offset in costs, amounts to €512 million, which is a decrease of €27 million, from 30 June 2015 (-5.0%).

Regulated revenue, net of components offset in costs, amounts to €501 million, a decrease of €27 million from 30 June 2015 (-5.1%). The decrease is primarily due to the tariff updating mechanisms and, specifically, to the revision of the invested capital remuneration rate, which decreased from 6.9% in 2015 to 6.1% in 2016 for distribution and from 7.2% in 2015 to 6.6% in 2016 for metering.

EBITDA

EBITDA for the first half of 2016 amounts to €320 million, a decrease of €60 million from 30 June 2015 (-15.8%). The decrease is largely attributable to: (i) lower revenue for the period which was equal to €27 million, net of components that are offset in costs⁵²; and (ii) higher operating costs equal to €33 million, net of components that are offset in revenue, primarily resulted from the increased net provision for the period for legal risks (€16 million) and the fund intended for the purchase of energy efficiency certificates (€8 million) and the environmental expenses (€8 million).

⁵² These components refer to revenue from the repayment, by the Cassa per i Servizi Energetici e Ambientali (hereinafter CSEA), of the expenses related to the interruption of the supply of redelivery points requested by the sales companies pursuant to Art. 12-bis, annex A, of the Testo Integrato Morosità Gas (TIMG) which stood at 30 June 2016 at €4 million (€4 million at 30 June 2015).

EBIT

EBIT for the first half of 2016 amounts to €178 million, a decrease of €70 million from 30 June 2015 (-28.2%). In addition to the above-mentioned effects on EBITDA, the decrease was due to greater amortisation and depreciation of €10 million.

Net profit

Net profit for the first half of 2016 amounts to €114 million, which is a decrease of €50 million from 30 June 2015 resulting from a combination of: (i) the above-mentioned €70 million decrease in EBIT; (ii) the decrease in net financial expense of €2 million; and (iii) the lower income taxes for the period equal to €18 million, resulting mainly from the lower pre-tax profit.

3.4.3 Main financial indicators of the Italgas Reti Group at 30 June 2016 and at 31 December 2015

The tables below summarise the values relating to the main financial Alternative Performance Measures of the Group Italgas Reti at 31 December 2015 and 30 June 2016. With respect to the Group Italgas Reti, this historical data reported refer to the distribution sector already included in the Snam Group. The data, which is an integral part of the Snam Group consolidated financial statements (subject to auditing by EY), has been prepared on the basis of the same accounting principles used in the preparation of the Snam Group's consolidated financial statements for the reference periods.

(Euro million)	31.12.2015	30.06.2016	Change
Fixed capital	4,761	4,791	30
Net working capital	(90)	(114)	(24)
Net invested capital	4,572	4,579	7
Net financial debt	(1,848)	(1,741)	107

3.5 Judicial and arbitration proceedings

The Italgas Group is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements. The following is a summary of the most important proceedings for which significant changes to the situation reported in the 2015 Annual Report occurred, including the new proceedings and closed proceedings.

At the Information Document Date, the total claims relating to legal disputes/proceedings involving the Issuer stand at approximately €98 million.

In conformity with corporate procedures, risk provision for legal costs is made with regard to expenses of a certain nature which are certain or likely to be incurred, which can affect the Issuer following the unfavourable

outcome of legal proceedings, but for which the amount and the date of occurrence cannot be determined at the year end.

The provisions are recorded, based on an evaluation carried out quarterly, when the possibility of an unfavourable outcome in the dispute is likely and the amount that may be requested from the Issuer can be accurately estimated.

Significant disputes, or disputes under the scope of which the claims by the counterparty are for more than €250,000 or which could have significant negative effects on the image of the company, are specifically evaluated with regard to the risk of an unsuccessful outcome and the quantification of the provision.

With regard to insignificant disputes, or claims for sums of less than €250,000 or undetermined ones, the risk provision is established on the basis of a flat-rate sum of €25,000, which is multiplied by the number of insignificant proceedings up to a maximum of €10 million for Snam and €5 million for subsidiaries.

As regards legal disputes, the total amount of the relative provision at 30 June 2016 is around €23 million (€20 million at 31 December 2015).

Tax Proceedings

Snam – Request application to the Revenue Agency

On 6 July 2016, Snam presented a request application to the Central Management of the Revenue Agency, pursuant to and in accordance with Article 11(1), letter c) of Law No. 212 of 27 July 2000 (Taxpayers' Bill of Rights), as amended by Legislative Decree No. 156 of 24 September 2015 – aimed at acquiring an opinion with regard to the absence of abusive profiles relating to IRES, with reference to the collection of transactions to be implemented under the scope of the separation from Snam of the gas distribution business pertaining to its subsidiary Italgas (now Italgas Reti) aimed at the listing on the MTA of the companies pertaining to the Italgas Group (now Italgas), with the consequent continuation of the tax consolidation between the latter and the subsidiaries transferred to it as a result of the planned Demerger transaction.

At the basis of the absence of abusive profiles and the consequent non-existence of the prerequisites for any derecognition of the tax effects of the transaction by the financial administration, evidence was provided in the request application of both the existence of valid, non-marginal extra-tax reasons, underlying the individual stages of the actual transactions and which reveal the existence of a clear economic substance, and also of the absence of achievement of an undue tax advantage, or benefits, including non-immediate ones, in conflict with the aims of the tax regulations or the principles of tax law.

The response by the Revenue Agency to the request application is expected to be received, pursuant to Article 11(3) of the Taxpayers' Bill of Rights, within one hundred and twenty days of the presentation date of the actual application, apart from the request for additional documentation by the financial administration, currently not received. In the latter circumstances, the reply would be made within sixty days of receipt of the additional documentation.

Italgas Reti – Direct and indirect taxes

The 2009 general tax audit performed by officials of the Revenue Agency (Piedmont branch, Audit and Collection Sector, Large Taxpayer Office), which ended on 7 December 2012 with the release of the official audit report, resulted in around €1 million of additional IRES, IRAP and VAT, plus penalties and interest.

In December 2014, tax assessments concerning IRES, IRAP and VAT were issued, and Italgas Reti responded by submitting a tax settlement proposal.

The proceedings closed with a negative result, and Italgas Reti, in consortium with Eni for the notice concerning IRES, brought an appeal on 28 May 2015 before the provincial tax commission of Turin, thus contesting only the findings relating to the undue payment of taxes on foreign regularisations and other unrelated taxes. At the same time, total payments of approximately €777 thousand were made, using the risk provision previously set aside. On 23 June 2016, the Turin Provincial Commission accepted the appeals made in May 2015.

On 31 May 2016, the *Guardia di Finanza*, Turin Tax Police Unit launched an audit of Italgas Reti with regard to direct taxes, IRAP, VAT and other indirect taxes for the period 1 January 2014 to 31 May 2016. The audit activity falls within the *Guardia di Finanza*'s action plan in the year 2016 with respect to large entities and is in line with its general functions. No findings or disputes with regard to the operations of the company have emerged from the inspection activities currently in progress.

On 16 August 2016, the Revenue Agency (Piedmont Branch, Audit and Collection Sector, Large Taxpayer Office) served Italgas Reti with a notice of investigation for the purpose of IRAP and Additional IRES (“Robin Hood Tax”) for 2011 with regard to i) the unfair deduction of amortisation and depreciation of costs subject to tax adjustment during an inspection by the *Guardia di Finanza* that took place in 2009 (Official Audit Report of 20 November 2009) and ii) the unfair deduction of expenses for the purchase of Energy Efficiency Certificates. A similar notice of investigation, for IRES purposes, was served on 18 August 2016 on Eni, as the consolidating company. These provisions result in greater taxes for IRES purposes, Additional IRES and IRAP equal to approximately €74,000 in total, plus interest and penalties. Italgas Reti does not intend to oppose these provisions and will therefore proceed with defining them according to the time limits laid down by law, benefiting from the reduction in penalties and, at the same time, activating the necessary actions for the partial recovery of the taxes paid, since it partly involves questions relating to the correct time attribution of the negative components of the above-mentioned income.

Judicial Control

Italgas Reti – Judicial Control

On 11 July 2014, the Court of Palermo notified Italgas Reti of the asset protection preventive measure of the Judicial Administration, pursuant to Art. 34, paragraph 2 of Legislative Decree No. 159/2011 “*Anti-mafia code and prevention measures, as well as new measures relating to anti-mafia documentation in accordance with Artt. 1 and 2 of Law No. 136 of 13 August 2010*”. Pursuant to law, the measure was aimed at protecting the assets of Italgas Reti from any infiltration and/or collusion by certain Italgas suppliers subject to preventive measures or criminal proceedings for specific crimes, as indicated in Art. 34, paragraph 2 of Legislative Decree 159/2011. As a result of this provision, the powers of administration for the economic and business activities

and assets of Italgas Reti have been assigned to a collective administrative body comprising four Palermo court-appointed members. For the duration of the measure, which was temporary with a maximum duration of six months and an option to extend it by another six months to a maximum of 12, the Italgas Reti Board of Directors was suspended. Snam retained full ownership of the entire share capital of Italgas Reti with the related rights.

For the purposes of the accounting principles adopted when drawing up the Italgas Reti Half-Year Report of 30 June 2014, it should be noted that Italgas Reti had been notified of the measure on 11 July 2014, and therefore after the end of the first half of the year and prior to approval of said Report. Furthermore, for the purposes of Snam Group's consolidated financial statements, the collective administrative body had authorised the transmission to Snam of the Italgas Reti Half-Year Report of 30 June 2014, together with the relevant management certifications involved in the Snam Group procedures in place and subject to prior examination by the Italgas Reti Board of Statutory Auditors. Therefore, in light of the control it exercised over Italgas Reti for the entire first half of 2014 and the full availability of the Company's information flows as of 30 June 2014, in accordance with the provisions of IFRS 10 – Consolidated Financial Statements, the Snam Group had retained the procedures used for consolidating Italgas Reti within the Group.

At the same time, CONSOB had informed Snam that it was investigating the possible effects of the Italgas Reti matter on the accounting methods used in relation to said company in the reports pertaining to the period of the preventative measure.

Subsequently, with an order issued on 2 October 2014, the presiding judge of the Court of Palermo gave a clearer definition of the scope of the judicial administration and the activities of the administrative body (the "Order"). The Order specified that the objectives of the judicial administration measure of which Italgas Reti was notified related primarily to inspection and focused on activities that may reveal whether there were indications of potential infiltration, with a view to taking the necessary steps. Based on this purpose and taking into account that no action was taken on the block of shares of Italgas Reti and that the preventive measure was a short-term, temporary measure, the Order therefore stated that there were no legal, operational or procedural grounds to call into question Snam's powers, compliance with Snam Group's objectives and strategies, or observance of corporate procedures.

In the light of the above, and in view of the scope of the judicial administration, the Order concluded that there were no obstacles to the consolidation of the Italgas Reti financial statements within the Snam Group, without prejudice to Italgas Reti retaining full independence and responsibility with regard to decision-making within its sole competency.

Snam continued its active collaboration with the judicial authority and the administrative body, as well as commissioning, partly in the interests of Italgas Reti, a leading specialist international company to conduct an autonomous and independent forensic investigation. The results, which have been made available by the judicial authority, confirmed in summary that: (i) supplier dealings with the counterparties mentioned in the Regulation accounted for less than 1% of Italgas Reti's total cumulative expenditure (and 0.16% of Snam Group's total expenditure) between 2009 and 2014; and (ii) the current risk management and internal control system appears to be effective and suitable for the purpose of identifying, preventing or minimising the corporate operational risk of infiltration/facilitation of organised crime in business and economic activities.

For the purposes of the Interim Directors' Report of 30 September 2014, and taking into account the considerations set out in the Order, Italgas Reti remained within Snam Group's scope of consolidation.

At the end of the period of six months, the Court of Palermo arranged the extension of the prevention measure for a further six months in accordance with Legislative Decree 159/2011 and asked the administrative body to present a plan of measures aimed at concluding the activities, also with regard to the results announced by said administrative body. On 8 January 2015, the presiding judge of the Court of Palermo issued an order confirming the authorisation for Italgas Reti to be included in Snam Group's consolidated financial statements, and ruled that the programme of measures should be drawn up taking into account Snam's proposals and the staging of a technical round table.

Based on the above considerations and taking into account (i) the favourable opinions on the inclusion of Italgas Reti in the scope of consolidation of the Snam Group acquired from leading independent experts; (ii) the fact that the actual events that have taken place in recent months confirm that Snam continues to operate under unitary management; and (iii) the full availability of Italgas Reti's information flow relating to the 2014 financial statements, as approved by the judicial administration, together with the relevant certifications, and preliminarily subjected to evaluation by the Board of Statutory Auditors of Italgas Reti, Snam has kept Italgas Reti and, consequently, the Italgas Reti Group, within the scope of consolidation of the Snam Group, in keeping with the accounting principles adopted in the financial documents published during the course of 2014.

Based on the outcomes of the checks carried out and Snam Group's active collaboration, on 29 June 2015, the Court of Palermo ordered that Italgas Reti be restored to its former status.

Having acknowledged the revocation of the measure, the Italgas Reti shareholders, at the Italgas Reti Shareholders Meeting of 9 July 2015, appointed the Company's Board of Directors, due to expire upon approval of the financial statements as of 31 December 2015, reappointing all outgoing members. Said Board members were also confirmed in their positions by the Italgas Reti shareholders at the Italgas Reti Shareholders' Meeting of 22 April 2016.

As a result of the revocation of the judicial administration order by the Court of Palermo and the confirmation of the Board of Directors at the Shareholders' Meeting, Italgas Reti has put and is putting in place Measures to Implement the Organisational and Procedural plan defined by the Judicial Administration, as well as monitoring activities.

The measures implemented in 2015 and 2016 involved the following areas:

- Organisation – a new organisational structure was adopted, reinforcing the Italgas Reti staff and business functions. The operating processes were strengthened, specifically with regard to processes relating to works planning, site monitoring and site safety;
- Procurement – the procurement procedures and the qualification bands for core activities (works and engineering) have been reviewed and new contracts have been agreed with engineering companies;
- Network inspection plan – Measures aimed at developing widespread coordination and monitoring mechanisms throughout the area and ensuring the monitoring of the networks have been prepared;

- Training programmes aimed specifically at the entire population (senior managers, middle managers, technicians and manual workers) of the Operations function and a change management plan for personnel, aimed specifically at district managers and heads of operational centres, in order to reinforce responsibility and empowerment in operating and monitoring processes;
- Updating of the 231 Model: the organisational and management model was updated pursuant to Legislative Decree 231/2001.

Based on the Implementation Measures Plan, a monitoring plan covering 5% of the distribution network is in the process of being implemented by carrying out sample surveys (approximately 12,000 over a three-year period).

In addition, following the results of the network monitoring activities conducted in 2014 under the scope of the asset protection preventive measure of the Judicial Administration, Italgas Reti has defined a plan of necessary measures which breaks down into two types of actions with distinct priorities:

- measures for solving confirmed problems (e.g. interference with another sub-service, non-conformity of the distance of the piping from buildings and the laying depth);
- in-depth investigations to enable the necessary evaluations.

In the context of the revocation of the judicial administration order, Italgas Reti was asked to comply with the obligation to provide the competent authorities with the information required pursuant to Art. 34, paragraph 8 of Legislative Decree No. 159/2011 (Judicial Control)⁵³ in relation to significant transactions (contracts or expenditure over Euro 300,000). Italgas Reti has appealed before the Palermo Court of Appeal against the provision of such information. Italgas also informs the competent authorities of the results of the periodic reports of the Watch Structure.

On 25 July 2016 the Palermo Court of Appeal issued a Decree revoking the “Judicial Control” measure with regard to Italgas Reti, declaring the implementation of the consequent provisions terminated. The Decree of the Court of Appeal of Palermo became final.

With regard to the above, in connection with the network checks carried out in 2014 pursuant to the preventative measure of judicial administration, Italgas Reti has, in relation to the 2015 Financial Statements, set aside Euro 20 million, mainly for the estimated costs of potentially adapting facilities in the distribution sector. At 30 June 2016, Euro 198,125 of this provision was used for works performed.

⁵³ In this regard, note that the Judicial Control measure consisted of an *ex post* monitoring activity, therefore the acts carried out were valid and effective and there were no limitations to the tasks and powers of the Italgas Reti Board of Directors.

Other proceedings

1) Strada dei Parchi S.p.A. / Italgas Reti

Strada dei Parchi S.p.A. has summoned Italgas to appear before the Court of Rome to obtain a ruling for the latter to pay all the costs incurred by the plaintiff for the elimination of interference between gas systems and motorway sections, which amount to a total of €1,101,093.29, excluding default interest.

2) Municipality of Lonato / Italgas Reti

Following previous legal proceedings, the Municipality of Lonato has summoned Italgas to appear before the Genoa Court of Appeal to ask for the repayment of €679,026.13 plus VAT and legal interest, paid to Italgas by way of loss of profit resulting from the exercising by the Municipality of Lonato of the right of redemption for the gas distribution network.

3) Autostrade per l'Italia S.p.A. / Italgas

Autostrade per l'Italia S.p.A. has summoned Italgas to appear before the Court of Turin for the repayment of €520,000.00 plus VAT for the alleged excess payment of expenses related to the movement of conduits interfering with the extension works of the section of the Milan-Bergamo-Brescia A4 motorway.

4) Municipality of Andria

To date, two proceedings (first hearing pursuant to Article 183 of the Italian Code of Civil Procedure) opened by the Municipality of Andria against Italgas are pending before the Court of Trani for: (i) payment of €1,956,848.00 plus legal interest and monetary adjustment, for the concessionary fee and the locality commitment for the year 2013, in implementation of Executive Resolutions no. 363 and 364 of 29 January 2014; (ii) payment of €1,956,848.00 plus legal interest and monetary adjustment, for the concessionary fee and the locality commitment for the year 2012, in implementation of Executive Resolutions no. 4910 and 4911 of 21 December 2012;

5) Resolution 33/2012/S/GAS

The AEEGSI has launched penalty proceedings against Italgas, disputing, specifically, the failure, by the Company to comply, with regard to the Venice facility, with the obligation to recondition or replace, by 31 December 2010, at least 50% of the hemp- and lead-sealed joints in operation at 31 December 2003, set out in Article 12(7) letter b) of the Regulation of the Quality of Gas Distribution and Metering Services.

6) I.C.S. Industria Carni del Sud S.r.l. / Napoletanagas

ICS Industria Carni del Sud S.r.l. has summoned Napoletanagas to appear before the Court of Naples to confirm contractual liability and the consequent compensation for the damage suffered as a result of the serious delay in connecting the gas supply to the industrial plant owned by the plaintiff, quantified at €395,546.00.

7) Immobiliare Santa Caterina (now I.G.P. S.p.A.) / Napoletanagas

Following a property purchase transaction, concluded on 20 December 2001, Immobiliare Santa Caterina, the purchaser, has summoned Napoletanagas to appear before the Court of Naples to establish the contractual liability of Napoletanagas, the vendor, and the consequent compensation for the damage suffered by the plaintiff of €12,095,213.72. The Court has set a hearing to attempt a settlement pursuant to Article 185 of the Italian Code of Civil Procedure.

3.6 Information about management and control bodies and the corporate governance model adopted by the Beneficiary Company

3.6.1 Management, control and supervisory bodies

Board of directors

Pursuant to Art. 13 of the existing bylaws, at the Information Document Date, the Board of Directors of Italgas is composed of 9 members. On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Directors. The Board of Directors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 will remain in office for three financial years, until the date of the Ordinary Shareholders' Meeting called for the approval of the 2018 financial statements.⁵⁴

At the Information Document Date, the Board of Directors is composed of the following members:

Name	Role
Lorenzo Bini Smaghi	Chairman
Paolo Gallo	Chief Executive Officer
Nicola Bedin ⁽¹⁾	Director
Barbara Borra ⁽¹⁾	Director
Maurizio Dainelli	Director
Cinzia Farisè ⁽¹⁾	Director
Yunpeng He	Director
Paolo Mosa	Director
Paola Annamaria Petrone ⁽¹⁾	Director

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

All the members of the Board of Directors are domiciled for office at the registered office of the Beneficiary Company.

Below is a brief *curriculum vitae* of each of the members of the Board of Directors appointed by the above-mentioned Shareholders' Meeting of 4 August 2016, giving details of their skills and experience gained in business management.

⁵⁴ As a result, the provisions of the bylaws that guarantee – pursuant to Art. 147 ter(3) of the TUF and the Shareholders' Agreement – that two directors are appointed from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting.

Lorenzo Bini Smaghi (Chairman). Born in Florence in 1956, he obtained a degree in Economics from the University of Lovanio. He then gained an M.Sc. in Economics at the University of Southern California and a PhD in the same subject at the University of Chicago. He is Chairman of the Board of Directors of Société Générale S.A. and Chiantibanca – Credito Cooperativo, as well as a member of the Board of Directors of Tages Holding S.p.A. He is the Chairman of the Italian Association of the University of Chicago Alumni and, since 2012, he has been the Visiting Scholar at the Centre for International Affairs at Harvard University. Previously, he was Chairman of the Palazzo Strozzi Foundation from 2006 to 2016, a member of the Executive Committee of the European Central Bank from 2005 to 2012, Director General for International Financial Relations at the Ministry of Economy from 1998 to 2005 and Director of the Policy Division at the European Monetary Institute. From January 2012 to November 2012 he was Chairman of Snam Rete Gas. He was also Chairman of the Board of Directors of Snam until April 2016. In addition, he worked as an economist at the Bank of Italy between 1983 and 1994.

Paolo Gallo (CEO). Born in Turin in 1961, he gained a degree in Aeronautical Engineering at the Polytechnic of Turin. He later gained an MBA from the Università degli Studi di Torino. He is a member of the Board of Directors of Grandi Stazioni Retail S.p.A. and from 2014 to 2016 was the CEO of Grandi Stazioni S.p.A. Previously, he worked in Acea S.p.A. from 2011 to 2014 in the role of General Director also acting as CEO from 2013 to 2014. From 2002 to 2011 he worked at the Edison Group, firstly in Edison S.p.A. as Director of Strategy and Innovation and later in Edipower S.p.A. from 2003 to 2008 as General Director and from 2008 to 2011 as CEO. Between 1992 and 1993 he was Director of the School of Business Management at the University of Turin. From 1988 to 2002 he worked at the Fiat Group, in the role of CEO of Fiat Energia S.p.A. in the two-year period 2001-2002.

Nicola Bedin (Director). Born in Montebelluna (TV) in 1977, he gained a degree in Business Administration from the Bocconi University of Milan. From 2005 he is Chief Executive Officer for the Gruppo Ospedaliero San Donato, which from 2012 also included the Gruppo Ospedaliero San Raffaele. He is currently the CEO of the following companies of the same group: IRCCS Ospedale San Raffaele and IRCCS Policlinico San Donato in addition to holding other administrative offices – both executive and otherwise – in subsidiaries. Since 2015 he has been CEO of the university Vita-Salute del San Raffaele. In addition, he is Adjunct Professor of Health Economics for the Degree Course in Medicine and Surgery at the Università Vita-Salute San Raffaele di Milano and of Applied Economics for the Specialist Course in Nursing and Midwifery at the University of Pavia. His career began in Mediobanca where he worked as a financial analyst from 2002 to 2004.

Barbara Borra (Director). Born in Turin in 1960, she gained a degree in Chemical Engineering at the Polytechnic of Turin. She later gained an MBA at the INSEAD Business School. She is currently Chairman of the Board of Directors of Ansaldo Energia S.p.A. and Shanghai Electric JV, as well as a member of the Board of Directors of Randstad Holding NV and Brembo S.p.A. From 2015 to 2016 she was Head of Industrial for the Asia Pacific area of Pirelli Tyre Co. Between 2005 and 2014 she worked for Whirlpool Co., holding the office of Chairman of Whirlpool France S.A.S from 2005 to 2007 and Vice Chairman of Global Cooking from 2007 to 2011 and from 2011 to 2014 she was Vice Chairman and General Director of Whirlpool China Co. Ltd. Previously, from 2001 to 2004 she was European Director of Rhodia S.A., a company in which she also held the office of Vice Chairman of the Polyamide Fibers Technical and Consumer Division in 2004. She worked for GE Lighting Ltd. From 1989 to 2001, holding down various posts of increasing responsibility, culminating in the appointment in 2000 as Vice Chairman of the EMEA Marketing Division. Her career began in Montedison USA, working from 1984 to 1986 as a Process Engineer.

Maurizio Dainelli (Director). Born in Rome in 1977, he gained a decree in Jurisprudence from the University of Rome. Since August 2003 he has been entitled to practise law on the legal profession. From June 2010 he has been working at CDP Legal Services where he is currently head of the M&A and Private Equity Department. Before that, he practised professional forensic law from 2004 to 2010 at Bonelli Erede Pappalardo Studio Legale, and was seconded for six months to the London office of the investment bank J.P. Morgan, as Visiting Foreign Lawyer. He began his career at Andersen Legal, where he worked from 2000 to 2004.

Cinzia Farisè (Director). Born in Niardo (BS) in 1964, she gained a degree in Economics and Business from the University of Brescia. She is the CEO of Trenord S.r.l, a post she has held since 2014. From 2006 to 2011 she was Vice President of the dell'Associazione Italiana Industrie Cavi e Conduttori Elettrici. Previously, she worked at the Prysmian Group: from 2005 to 2011 as Sales and Marketing Director of Prysmian Italia S.p.A., from 2011 to 2014 as CEO of Prysmian India and for two years from 2013 to 2014 as Vice Chairman of the Energy and Infrastructure Business Unit, at the Prysmian offices in Milan. Before that, she worked for the Ferrovie Nord Milano group from 1990 to 2005, covering the following posts: Assistant to the Chairman (1990-1993), Sales and Promotions Manager (1993-1997), Marketing Manager (1997-2000) and Sales and Marketing Director of Ferrovie Nord Cargo (2001-2005). From 1989 to 1990 she was the Key Account Manager of Barclays Bank in France. She began her career in 1987 at BOBST S.A.

Yunpeng He (Director). Born in Batou (China) in 1965, he gained a degree in Electrical Systems and Automation from the University of Tianjin. After this, he gained a Master's Degree in Technology Management from the Rensselaer Polytechnic Institute (RPI). He is currently on the Board of Directors of CDP Reti and Terna S.p.A. Since 26 January 2015 he has also been on the Board of Directors of Snam S.p.A. He has held the following posts at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer from December 2008 to September 2012, Director of the Economic and Legal Department from June 2011 to September 2012, Director of the Planning and Development Department from October 2005 to December 2008, Director of the Planning and Design Department from January 2002 to October 2005. Lastly, he was Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and Chairman of the Tianjin Electric Power Design Institute from June 2000 to January 2002.

Paolo Mosa (Director). Born in Cremona in 1960. He graduated in Mechanical Engineering from the Polytechnic of Milan. He was the CEO of Snam Rete Gas from April 2014 to October 2016. His career in the Snam Group began in 1987. From 2000 to 2001 he was responsible for the coordination of Snam foreign investee companies, owning the necessary transportation infrastructures for importing natural gas into Italy. During this period he held the position of CEO of TMPC Ltd. And was a member of the Board of Directors of TAG GmbH, TENP GmbH, TTPC Ltd. And Transitgas SA. Since 2002 he has also been a member of the BoD of TIGAZ, one of the major gas distribution companies in Hungary. In 2001 he was appointed Director in charge of network development investment planning and the management of transportation contracts for Snam Rete Gas. Between 2009 and 2012 he was on the Board of ENTSO (European Network of Transmission System Operators). Until 2008 he was also a member of the Board of Directors of GNL Italia, the company that manages the LNG regasification plant located in Panigaglia (La Spezia). From 2010 to 2014 he was CEO of Italgas. From December 2014 he has been Chairman of the Supervisory Board of Tag GmbH. He is currently also a member of the Board of Directors of Snam Rete Gas S.p.A.

Paola Annamaria Petrone (Director). Born in Milan in 1967, she gained a decree in Modern Languages and Literature from the IULM University of Milan. She later gained an MBA from the Bocconi University of

Milan. She is currently a member of the Board of Directors of AAMPS S.p.A. and Senior Advisor to the CEO of the company Seta S.p.A., Waste Italia Group. She was General Director of AMSA from 2011 to 2015. Previously, she worked for the Fiat Group from 2008 to 2011, firstly as Global Director Outbound Logistics and Supply Chain Management and CEO of I-Fast Automotive Logistics and later on, from 2010, as Global Senior Vice President Supply Chain Management of FGA. Between 2003 and 2008 she worked for Trenitalia, from 2003 to 2004 as Head of Maintenance for the Eurostar/Pendolino Fleet, from 2004 to 2005 as Head of National Bodywork Maintenance and from 2005 to 2008 as Director of Regional Transport for Lombardy. From 2000 to 2002 she was the firstly Senior Consultant, and later Manager, at Roland Berger Strategy Consultants. She started out on her career at the Siemens Group, firstly as Inbound Logistics Coordinator of the Milan Industrial Automation Division, then as Logistics Manager of Automation & Drive Motion Control Division of Erlangen.

As far as the Beneficiary Company is aware, none of the members of the Board of Directors of Italgas has family relationships with other members of the Board of Directors, members of the Board of Statutory Auditors or with Management with Strategic Responsibilities.

Powers of the Board of Directors

Pursuant to Art. 16 of the Bylaws, the Board of Directors is invested with the widest-ranging powers for the routine and extraordinary management of the Beneficiary Company and, specifically, it has the right to carry out all acts it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of acts reserved by law or the bylaws to the Shareholders' Meeting.

The Board of Directors delegates assignments to one or more of its members determining the limits of the delegation pursuant to Art. 2381 of the Civil Code and appointing the CEO.

The Board of Directors can always give directives to the CEO and recall transactions coming under its jurisdiction, in the same way as it can, at any time, revoke the proxies conferred, proceeding, in the case of the revocation of proxies conferred on the CEO, at the same time to appoint another CEO. The Board can also set up committees, deciding upon their powers and the number of members.

At the proposal of the Chairman, the Board of Directors, in agreement with the CEO, can confer powers for individual acts or categories of acts on other members of the Board of Directors.

The scope of the powers of the Chairman and the CEO, to the extent permitted by the powers vested in them, allows them to confer proxies and powers of representation for the Beneficiary Company for individual acts or categories of acts on employees of the Beneficiary Company and even on third-parties.

On 4 August 2016 the Board resolved to reserve several powers exclusively, pursuant to Art. 2381 of the Civil Code, to the Board and to assign certain powers to the Chairman and to the Director Paolo Gallo. In accordance with the above resolution, the following powers are reserved for the Board of Directors, in addition to those which by law cannot be delegated and generally to those of the Corporate Governance Code, where not expressly provided for:

- a) setting strategic guidelines and objectives for the Company and the Group, including sustainability policies, upon recommendation from the Chief Executive Officer (CEO). In compliance with the

Unbundling Regulation, examining and approving the strategic, business and financial plans of the Company and the Group, monitoring their implementation on an annual basis, as well as the Company's strategic agreements;

- b) examining and approving the budget of the Company and of the Group;
- c) examining and approving the half-yearly report and the interim reports on operations of the Company and of the Group, as provided for by current legislation;
- d) examining and approving the Sustainability Report and the Report on Corporate Governance and Ownership Structure, to be brought to the attention of the Shareholders' Meeting;
- e) defining the system and rules of corporate governance of the Company and of the Group. In particular, following consultation with the Control and Risk and Related-Party Transactions Committee, adopting rules which ensure transparency and substantial and procedural correctness of transactions with related parties and of transactions in which a director or a statutory auditor has a personal interest or an interest on behalf of others; also adopting a procedure for the management and communication of corporate information, with particular reference to privileged information;
- f) setting up the Internal Committees of the Board, with proposal and consultative functions, appointing their members, establishing their duties and approving their regulations;
- g) receiving half-yearly reports from the Internal Committees of the Board;
- h) assessing the general performance of operations, taking into consideration, specifically, the information received from the delegated bodies, paying particular attention to conflicts of interest and periodically comparing the results achieved, as stated in the financial statements and the interim accounts, with those of the budget and also acquiring the necessary information and adopting all suitable measures for safeguarding the company and market disclosure actions in the presence of significant events;
- i) assigning and revoking powers to/from the Chairman and the CEO, appointing the director in charge of the internal control and risk management system, setting their limits and methods of operation and determining their remuneration once the proposals of the appropriate Committee have been examined and following consultation with the Board of Statutory Auditors. He may issue directives to the delegated bodies and it may take it upon itself to perform operations which are covered by the powers. The Chairman and the CEO report at least once a quarter to the Board itself and to the Board of Statutory Auditors on how they have exercised their powers, on the transactions with the greatest impact on the financial statements carried out by the Company and its Subsidiaries, and on transactions with related parties. Information must be made available promptly when the directors have a direct interest in the transaction, when third parties are involved or when the transaction could be affected by any entity that carries out management and coordination activities;
- j) on the recommendation of the CEO, resolving the transactions of the Company and its subsidiaries, in terms of the exercise of management and coordination activities, that have a significant strategic, economic, capital and financial importance for the Company and the Group. This is without prejudice,

in each case, to compliance with the confidentiality obligations relating to the commercial relations between the subsidiary and the Company or third parties. The following transactions are considered to be of significant importance:

- acquisitions, disposals, sales, transfers of companies or business units (including rent and usufruct), real estate and/or equity investments worth more than Euro 100 million;
- supply contracts and contracts for the sale of goods and/or services relating to the commercial activities of the Company and its subsidiaries, worth over Euro 1 billion and/or with a duration of over 15 years;
- contracts relating directly to the activities indicated in the corporate objective and/or relating to the day-to-day management of corporate activities worth over Euro 100 million and/or with a duration of over 15 years;
- the stipulation, modification and termination of credit contracts for sums exceeding Euro 2 billion and/or with a duration of over 15 years;
- the disbursement by the Company and its subsidiaries of loans to third parties other than Italgas and its subsidiaries;
- sureties and other forms of personal guarantee, as well as letters of patronage, in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for amounts greater than Euro 100 million and in any event if the amount is not proportional to the investment held therein;
- with regard to sureties guaranteeing obligations undertaken or to be undertaken by the Company with third parties, worth over Euro 100 million;
- the Company’s brokerage contracts.

The activities and processes carried out by subsidiary Italgas in relation to identifying natural gas distribution tenders in which to participate, and in relation to formulating the technical and financial bids for these tenders, are not discussed or subject to prior approval by the Italgas Board of Directors.

- k) appointing and dismissing the general managers upon recommendation from the CEO and approval from the Chairman, granting them the related powers;
- l) appointing and dismissing the Chief Financial Officer, upon recommendation from the CEO, ratification from the Chairman and approval from the Board of Statutory Auditors, ensuring that he/she has the necessary powers and resources;
- m) on the recommendation of the CEO, with the agreement of the Chairman, having received a favourable opinion from the Control and Risk and Related-Party Transactions Committee and having consulted the Board of Statutory Auditors, appointing and dismissing the Internal Auditor and, following prior

verification with the Remuneration Committee, setting the remuneration in line with the Company's pay policy, ensuring that they are given the appropriate resources to fulfil their responsibilities;

- n) ensuring that an employee has been appointed by the CEO to handle investor relations;
- o) having examined the proposals of the Remuneration Committee, defining the policy for the remuneration of directors, general managers and executives with strategic responsibilities of the Company and its Subsidiaries and the compensation systems; implementing the compensation plans based on shares or other financial instruments that are resolved upon by the Shareholders' Meeting and approves the Remuneration Report to be presented to the Shareholders' Meeting; having received an opinion from the Remuneration Committee, assessing the vote on the Remuneration Report taken by the Shareholders' Meeting and the proposals of the Committee on the adequacy, overall coherence and application of the adopted policy for the remuneration of directors and managers with strategic responsibilities;
- p) defining the basic guidelines for the organisational, administrative and accounting structure of the Company and its Subsidiaries; evaluating annually the adequacy of the organisational, administrative and accounting structure of the Company and its subsidiaries, with particular reference to the internal control and risk management system;
- q) having consulted the Control and Risk and Related-Party Transactions Committee, defining the guidelines for the internal control and risk management system so as to ensure the identification, measurement, management and monitoring of principal risks of the Company and its subsidiaries, including the risks that could assume importance from the perspective of sustainability in the medium-/long-term, also determining the degree of compatibility of these risks with a management of the Company and the Group that is consistent with its defined strategic objectives; evaluating, on an annual basis, the adequacy and effectiveness of internal control and risk management system, having regard to the characteristics of the Company and the Group and the risk profile it has adopted;
- r) having received an opinion from the Control and Risk and Related-Party Transactions Committee and consulted the Board of Statutory Auditors, evaluating the conclusions presented by the External Auditors in any letter of suggestions and in the report on key matters arising from the external audit;
- s) approving, at least once a year, the audit schedule prepared by the Internal Auditor, after hearing the opinion of the Control and Risk and Related-Party Transactions Committee and having consulted the Chairman of the Board of Directors, the director in charge of the internal control and risk management system and the Board of Statutory Auditors;
- t) (i) on the recommendation of the CEO, deciding on the exercising of voting rights at the Shareholders' Meetings of direct subsidiaries and (ii) on the recommendation of the Appointments Committee, deciding on the appointments of the members of the subsidiaries' internal bodies in the scope of consolidation;
- u) preparing resolutions to be submitted to the Shareholders' Meetings;

- v) when the Board of Directors is being appointed, recommending managerial candidates to the shareholders, taking into account the results of the annual assessment of the functioning, size and composition of the Board and its Committees;
- w) examining and resolving other particularly important and sensitive issues which the Directors who hold powers wish to draw to the attention of the Board.

In addition, pursuant to the Bylaws, the Board approves:

- mergers in cases pursuant to Artt. 2505 and 2505-bis of the Italian Civil Code, also those mentioned for demergers in cases mentioned in such provisions;
- the opening, changing or closing of branches;
- the reduction in the share capital upon withdrawal of one or more shareholders;
- the adjustment of the Bylaws in line with regulatory provisions;
- the transfer of the registered office within Italy.

The board of directors, pursuant to the above-mentioned resolution, entrusted Director Paolo Gallo with all the tasks and powers that are not reserved by law, company by-laws, or by decision of the board of directors itself, for the board of directors or the chairman.

Excluding the roles held at Italgas at the Information Document Date, the table below lists all the companies with share capital or partnerships in which members of the Board of Directors of the Beneficiary Company have been members of management, control or supervisory bodies, or holders of “qualified” equity investment (more than 3% in listed companies and 10% in unlisted companies), in the last five years, with details of the status of the office and/or the stake held at the Information Document Date.

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
Lorenzo Bini Smaghi	Snam S.p.A.	Chairman of the BoD	Terminated
	Société Générale S.A.	Chairman of the BoD	In office
	Snam Rete Gas	Chairman of the BoD	Terminated
	Chiantibanca – Credito Cooperativo	Chairman of the BoD	In office
	Tages Holding S.p.A.	Director	In office
	Morgan Stanley & Co. International plc	Director	Terminated
Paolo Gallo	Grandi Stazioni Retail S.p.A.	Director	In office
	Grandi Stazioni Retail S.p.A.	Chief Executive Officer	Terminated
	Grandi Stazioni S.p.A.	Chief Executive Officer	Terminated
	Acea S.p.A.	Chief Executive Officer	Terminated
	Acea Energia S.p.A.	Director	Terminated
	Ecogena S.p.A.	Director	Terminated
	Laboratori S.p.A.	Director	Terminated
	Errenergia S.r.l.	Director	In office

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
Nicola Bedin	Policlinico San Donato S.p.A.	Chief Executive Officer	In office
	Ospedale San Raffaele S.r.l.	Chief Executive Officer	In office
	H. San Raffaele Resnati S.p.A.	Chief Executive Officer	In office
	Casa di Cura La Madonnina S.p.A.	Vice Chairman of the BoD	In office
	Villa Erbosa S.p.A.	Chairman of the BoD	In office
	GSD Clinica Odontoiatrica S.r.l.	Vice Chairman of the BoD	In office
	BLP S.r.l.	Chairman of the BoD	In office
	Società Agricola Cerere S.r.l.	Chairman of the BoD	In office
	Smart Dental Clinic S.r.l.	Vice Chairman of the BoD	In office
	SAT S.r.l.	Chairman of the BoD	In office
	REWA S.r.l.	Chairman of the BoD	In office
	Industrie Emiliana Parati S.p.A.	Vice Chairman of the BoD	Terminated
	Istituti Clinici di Pavia e Vigevano S.p.A.	Director	In office
	Istituto Ortopedico Galeazzi S.p.A.	Director	In office
	Istituti Ospedalieri Bresciani S.p.A.	Director	In office
	Istituti Clinici Zucchi S.p.A.	Director	In office
	Istituto Clinico Villa Aprica S.p.A.	Director	In office
	GSD Sistemi e Servizi S.c.a.r.l.	Director	In office
	Istituti Ospedalieri Bergamaschi S.r.l.	Director	In office
	GSD Food & Wine S.r.l.	Director	In office
Società Agricola Cerere S.r.l.	Shareholder	51.28%	
BLP S.r.l.	Shareholder	51%	
Barbara Borra	Brembo S.p.A.	Director	In office
	Ansaldo Energia S.p.A.	Director	Terminated
	Ansaldo Energia and Shanghai Electric JV	Chairman of the BoD	In office
	Fontana (fasteners)	EMEA Chief Executive Officer	In office
	Randstad Holding NV	Director	In office
Maurizio Dainelli	TAG GmbH	Member of the <i>Supervisory Board</i>	Terminated
Cinzia Farisè	Trenord S.r.l.	Chief Executive Officer	In office
	Concessioni Autostradali Lombarde S.p.A.	Director	In office
	Associazione Italiana Industrie Cavi e Conduttori Elettrici	Vice President	Terminated
	Ravin Cables Ltd	Chief Executive Officer	Terminated
	Associated Cables Pvt Ltd	Chairman of the BoD	Terminated
	Prysmian Cables and Systems S.A.	Director	Terminated
UBI Banca S.p.A.	Shareholder (250 shares)	Current	
Yunpeng He	CDP Reti S.p.A.	Director	In office
	Snam S.p.A.	Director	In office
	Terna S.p.A.	Director	In office
	State Grid Corporation of China	Vice General Director of the European Representative Office	Terminated
Paolo Mosa	Italgas S.p.A.	Chief Executive Officer	Terminated
	Snam Rete Gas S.p.A.	Chief Executive Officer	Terminated
	TAG GmbH	President of the Supervisory Board	In office
	Snam Rete Gas S.p.A.	Director	In office
Paola Annamaria Petrone	AAMPS S.p.A.	Director	In office
	Bioase S.p.A.	Director	Terminated
	AMSA S.p.A.	General Manager	Terminated

As far as the Beneficiary Company is aware, none of the members of the Board of Directors has, in the last five years, been convicted of crimes of fraud, or been associated, under the scope of carrying out their job, with bankruptcy, forced administration or liquidation proceedings, or, lastly, been the subject of official incriminations and/or the object of sanctions by the public or regulatory authorities (including designated professional associations) or bans by a Court from a member of management, control or supervisory bodies of Italgas holding office or on any issuer carrying out management or administrative activities.

Board of Statutory Auditors

Pursuant to Art. 20 of the existing bylaws at the Information Document Date, the Board of Directors of Italgas is composed of 3 standing auditors and 2 alternate auditors. On 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Statutory Auditors. The Board of Statutory Auditors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 will remain in office for three financial years, until the date of the Ordinary Shareholders' Meeting called for the approval of the 2018 financial statements.

Statutory auditors are chosen from among those who meet the professionalism and integrity requirements indicated in Decree of the Ministry of Justice No. 162 of 30 March 2000. For the purposes of this decree, the issues strictly related to the Beneficiary Company's activity are: commercial law, business administration, corporate finance. Likewise, the sector pertaining strictly to the Beneficiary Company's business is the engineering and geology sector.

At the Information Document Date, the Board of Statutory Auditors is composed of the following members:

Name	Role
Gian Piero Balducci	Standing Auditor, Chairman
Giandomenico Genta	Standing Auditor
Laura Zanetti	Standing Auditor
Marilena Cederna	Alternate Auditor
Walter Visco	Alternate Auditor

All the members of the Board of Statutory Auditors are domiciled for office at the registered office of the Beneficiary Company.

Below is a brief *curriculum vitae* of each of the members of the Board of Statutory Auditors appointed by the above-mentioned Shareholders' Meeting of 4 August 2016, giving details of their skills and experience gained in business management.

Gian Piero Balducci (Chairman of the Board of Statutory Auditors). Born in Turin in 1961. He graduated in Economics and Business Studies from the University of Turin. From 1986 he worked as a tax and corporate advisor. From 1986 to 1989 he worked at the Turin offices of Arthur Andersen. In 1989 he joined Studio Palea, becoming a partner in 1993. He is often called upon as an expert witness in judicial proceedings for accounting and tax matters at the Civil and Criminal Court of Turin, and is a member of the Register. He is a member of the teaching profession of practising Tax Advisors for the Association of Certified Accountants of Turin, Ivrea and Pinerolo. In addition, he is currently a member of the Technical Scientific Committee of RSM PLG S.r.l. and part of the "International Relations" group and "l. 231/2001" group of the Association of Certified

Accountants of Turin, Ivrea and Pinerolo. He is on the North West Territorial Technical Committee of UBS (Italia) S.p.A. He is on the Register of the Association of Certified Accountants of Turin and the Register of Statutory Auditors.

Giandomenico Genta (Standing Auditor). Born in Valdagno (VI) in 1957. He gained a degree in Economics and Business Management from the Universitas Mercatorum of Rome. He worked from 1984 as a freelancer, as owner of the Studio Amministrativo and Tributario Genta & Cappa with offices in Cuneo. He is currently the Chairman of the Board of Statutory Auditors of Finanziaria Sviluppo Impresa S.p.A. and MEC S.p.A., a standing auditor at Autostrade per l'Italia S.p.a., Essediese S.p.A., Infoblu S.p.A., Società Italiana per Azioni per il Traforo del Monte Bianco, Equitalia S.p.a., R.A.V. Raccordo autostradale Valle d'Aosta. He is the Chairman of the Board of Directors of Satispay S.p.A. (an innovative start-up) and of the Fondazione Cassa di Risparmio di Cuneo. He is a member of the supervisory body of Ferrero Industriale Italia S.r.l. He also taught as an Adjunct Professor at the Università degli Studi di Scienze Gastronomiche, on the “Legal forms and company taxation” courses from 2014 to 2016 and “Legal forms of business start-ups” from 2013 to 2014. He is also an authority on the subject for the Scientific-Disciplinary Sector of Economics and Business Management, Management Department of the Università degli Studi of Turin. He is a Registered Auditor and a Statutory Auditor. He is also on the register of court-appointed experts at the Chamber of Commerce, Industry, Agriculture and Artisanry of Cuneo, the Register of Technical Consultant of the Judge of the Court of Cuneo, the order of journalists in the list of publicists, as well as a member of the consultants of the Provincial Employment Department of Cuneo

Laura Zanetti (Standing Auditor). She was born in Bergamo on 26 July 1970 and gained a degree in Business Administration from the Bocconi University of Milan with honours and recommended for publication. Laura Zanetti is an Associate Professor of Corporate Finance at the Milan Bocconi University where she teaches Corporate Valuation. She is the director of the degree course in Economics and Finance, a member of the Management Council of the Department of Finance, a Research Fellow of CAREFIN, Centre for Applied Research in Finance, of the Bocconi University and the author of numerous publications on finance and corporate valuation. She was the director of the Master of Science in Finance of the Bocconi University, Visiting scholar at MIT (Massachusetts Institute of Technology), LSE (London School of Economics and Political Science), HKUST (Hong Kong University of Science and Technology). She has been a Certified Accountant since 1996 and a Statutory Auditor since 1999, she is currently a member of the Board of Directors of Italmobiliare, Italcementi, Coima Res, Vice Chairman of the Maria Zanetti non-profit foundation and an Auditor for Inim, Omni Re and Stella Italia.

Marilena Cederna (Alternate Auditor). Born in Sondrio in 1957, she gained a degree in Economics and Business Studies from the Bocconi University of Milan. She began her professional career at PricewaterhouseCoopers in 1981, where she was promoted over the years culminating in her appointment as Partner in 1994. She gained significant experience in auditing in large national and international groups, including listed companies on regulated markets, in various industrial sectors, including the energy sector. She is on the Register of the Association of Certified Accountants and the Register of Statutory Auditors.

Walter Visco (Alternate Auditor). Born in Uzwill (Switzerland) in 1969. he graduated in Economics and Business Studies from the LUISS Guido Carli, in 1994. Since 1996 he has been on the register of the Association of Certified Accountants of Isernia where he has held the office of Director since 2013. Since 1999 he has been on the register of Statutory Auditors and since 2012 he has been on the register of Local Authority

Auditors. Since 1 January 2013 he has been a Board Member of the Association of Certified Accountants of Isernia. He is a court-appointed expert witness and receiver for the Court of Isernia. An expert in financial accountancy, municipality and province budgets and local authority personnel; he is an expert in extraordinary corporate transactions and the management and control of businesses and public authorities. He has been Chairman of the Board of Statutory Auditors of the C.S.S. Cooperativa Servizi Sanitari Onlus from 2004 to 2008 and from 2008 to 2011. He has also been an alternate auditor at the Chamber of Commerce, Industry, Agriculture and Artisanry of Isernia from 2001 to 2005.

As far as the Beneficiary Company is aware, none of the members of the Board of Statutory Auditors of Italgas has family relationships with other members of the Board of Statutory Auditors, members of the Board of Directors or with Management with Strategic Responsibilities.

Excluding the roles held at Italgas at the Information Document Date, the table below lists all the companies with share capital or partnerships in which members of the Board of Statutory Auditors of the Beneficiary Company have been members of management, control or supervisory bodies, or holders of “qualified” equity investment (more than 3% in listed companies and 10% in unlisted companies), in the last five years, with details of the status of the office and/or the stake held at the Information Document Date.

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
Gian Piero Balducci	Zodiak Active S.r.l.	Statutory Auditor	In office
	DMS Farmaceutici S.p.A.	Statutory Auditor	In office
	Comfactor – Commercio Factoring S.p.A.	Statutory Auditor	In office
	Sma S.p.A.	Alternate auditor	In office
	Errege S.p.A.	Statutory Auditor	In office
	Patrimonio R. E. S.p.A.	Statutory Auditor	In office
	Magnolia S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Gallerie Commerciali Italia S.p.A.	Statutory Auditor	In office
	Auchan S.p.A.	Statutory Auditor	In office
	Galleria Cinisello S.r.l.	Statutory Auditor	In office
	Idea SGR S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Chronodrive Italia S.r.l.	Statutory Auditor	In office
	Zodiak Active Plus S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Acciaitalia S.p.A.	Chairman of the Board of Statutory Auditors	In office
	De Agostini S.p.A.	Statutory Auditor	In office
	Dea Partecipazioni S.p.A.	Statutory Auditor	In office
	B&D Finance S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Laboratorio Farmaceutico S.i.t.- Specialità igienico terapeutiche S.r.l.	Statutory Auditor	In office
	Cattleya S.r.l.	Statutory Auditor	In office
	Idea Fimiti SGR S.p.A.	Statutory Auditor	In office
	Ligestra S.r.l.	Chairman of the Board of Statutory Auditors	In office
	A.Benvenuta E. C.- S.p.A.	Statutory Auditor	In office
	Praxi S.p.A.	Statutory Auditor	In office
	Suzuki Italia S.p.A.	Alternate Auditor	In office
	Flunch Italia S.r.l.	Statutory Auditor	In office
	Fidia- S.p.A.	Statutory Auditor	In office

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
	Desma Healthcare S.p.A.	Statutory Auditor	In office
	Desma Pharma S.p.A.	Statutory Auditor	In office
	Permico S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Nobis Compagna di assicurazioni S.p.A.	Alternate Auditor	In office
	Iseonor S.p.A.	Statutory Auditor	In office
	Blu Acquario Prima S.p.A.	Statutory Auditor	In office
	Picco S.a.s di Gian Piero Balducci	50% General Partner	In office
	Milesformiles S.s.	Managing Partner	In office
	La Rocca S.s.	Managing Partner	In office
	Experta Consulting S.r.l.	15% Partner	In office
	Tasman Investments S.s.	50% Managing Partner	In office
	Immo Mo S.s.	Shareholder	In office
	De Sonnaz S.s.	15% Partner	In office
	Montecuccoli S.s.	15% Partner	In office
	Fiore S.s.	15% Partner	In office
	Immo Verbana S.s.	Shareholder	In office
	Immo Ga S.s.	Shareholder	In office
	Immo Scio S.s.	Shareholder	In office
	Immo To S.s.	Shareholder	In office
	Immo Sima S.s.	Shareholder	In office
	Immo Di S.s.	Shareholder	In office
	Magnolia Fiction S.r.l.	Statutory Auditor	Terminated
	Icom S.p.A.	Statutory Auditor	Terminated
	Immobiliare Commerciale XXXII S.r.l. In liquidation	Statutory Auditor	Terminated
	Idea Alternative Investments S.p.A.	Chairman of the Board of Statutory Auditors	Terminated
	Gallerie Giugliano S.r.l.	Alternate Auditor	Terminated
	Iniziative Commerciali Napoli S.p.A.	Alternate Auditor	Terminated
	GTECH S.p.A.	Alternate Auditor	Terminated
	Sallig-S.r.l.	Alternate Auditor	Terminated
	Il Mulino S.r.l.	Alternate Auditor	Terminated
	Imm.re Comm.le XXI S.r.l.	Alternate Auditor	Terminated
	V2 S.p.A.	Auditor	Terminated
	Fiordaliso S.p.A.	Alternate Auditor	Terminated
	Opera21 S.p.A.	Auditor	Terminated
	Accenture Finance and Accounting BPO Services S.p.A.	Alternate Auditor	Terminated
	Opera21 Group S.p.A.	Auditor	Terminated
	Enova21 S.p.A. in liquidation	Chairman of the Board of Statutory Auditors	Terminated
	Dea Capital S.p.A.	Statutory Auditor	Terminated
	Art Defender S.r.l.	Chairman of the Board of Statutory Auditors	Terminated
	Galleria Verde S.r.l.	Alternate Auditor	Terminated
	Società Italiana di Sviluppo S.r.l.	Sole Director	Terminated
	Cross Productions S.r.l.	Auditor	Terminated
	SL S.p.A.	Alternate Auditor	Terminated
	Opera21 Nordest S.r.l.	Alternate Auditor	Terminated
	Unilabs IMT-Medil S.r.l.	Alternate Auditor	Terminated
	Euphon Communication S.p.A.	Alternate Auditor	Terminated
	Dianos S.r.l.	Chairman of the Board of Statutory Auditors	Terminated

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
	Martin Bauer S.p.A.	Alternate Auditor	Terminated
	Fenice S.p.A.	Alternate Auditor	Terminated
	Giugiaro S.p.A.	Alternate Auditor	Terminated
	Care Service S.p.A.	Alternate Auditor	Terminated
	Eliosole S.r.l. in liquidation	Alternate Auditor	Terminated
	Streglio S.r.l.	Chairman of the Board of Statutory Auditors	Terminated
	Safron S.r.l. in liquidation	Official Receiver	Terminated
	Punto Service Cooperativa Sociale a r.l.	Auditor	Terminated
	Ghidina 25 S.a.s. di Lorena Alberti	General Partner	Terminated
Giandomenico Genta	Finanziaria Sviluppo Impresa S.p.A.	Chairman of the Board of Statutory Auditors	In office
	MEC S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Autostrade per l'Italia S.p.A.	Standing Auditor	In office
	Essediesse S.p.A.	Standing Auditor	In office
	Infoblu S.p.A.	Standing Auditor	In office
	Società Italiana per Azioni per il Traforo del Monte Bianco	Standing Auditor	In office
	Equitalia S.p.A.	Standing Auditor	In office
	R.A.V. Raccordo autostradale Valle d'Aosta S.p.A.	Standing Auditor	In office
	Fondazione Cassa di Risparmio di Cuneo	Chairman of the BoD	In office
	Satsipay S.p.A.	Chairman of the BoD and Shareholder at 1.54%	In office
	Ferrero Industriale Italia S.r.l.	Member of the Supervisory Body	In office
	Studio Amministrativo e Tributario Genta & Cappa	Shareholder at 50%	In office
	Fink S.r.l.	Shareholder at 1%	In office
	Sintesi S.r.l.	Shareholder at 50%	In office
Laura Zanetti	Italmobiliare S.p.A.	Director	In office
	Italcementi S.p.A.	Director	In office
	Coima Res S.p.A.	Director	In office
	Maria Zanetti Non-Profit Foundation	Vice Chairman of the BoD	In office
	IN.CO.FIN S.p.A.	Director and 33.33% Shareholder	In office
	Prentice S.p.A.	Director and 33.33% Shareholder	In office
	Stella Italia S.r.l.	Sole Statutory Auditor	In office
	Inim S.p.A.	Statutory Auditor	In office
	Omni Re S.p.A.	Statutory Auditor	In office
	Alerion Clean Power S.p.A.	Director	Terminated
	MULTIFIN S.p.A.	40% Partner	In office
Marilena Cederna	All Services S.r.l.	20% Partner	Terminated
Walter Visco	Consorzio Per lo Sviluppo Industriale Isernia-Venafro	Auditor	In office
	Sopros S.p.A.	Auditor	In office

As far as the Beneficiary Company is aware, none of the members of the Board of Statutory Auditors has, in the last five years, been convicted of crimes of fraud, or been associated, under the scope of carrying out their job, with bankruptcy, forced administration or liquidation proceedings, or, lastly, been the subject of official

incriminations and/or the object of sanctions by the public or regulatory authorities (including designated professional associations) or bans by a Court from a member of management, control or supervisory bodies of Italgas holding office or on any issuer carrying out management or administrative activities.

Managers with strategic responsibilities

At the Information Document Date, the Italgas Managers with Strategic Responsibilities are listed below:

Name	Role
Antonio Paccioretti	Managing Director Finance and Services
Bruno Burigana	Director of Human Resources & Organization
Pier Borra	Director of Commercial Development
Alessio Minutoli	Director of Legal and Corporate Affairs and Compliance

All the Italgas Managers with Strategic Responsibilities are domiciled for office at the registered office of the Issuer.

Antonio Paccioretti (Managing Director Finance and Services). Born in Milan in 1964 he graduated from Bocconi University, Milan, in Business Economics. From 1989 to 2001 he worked at Snam., in the area of Administration, Finance and Control where he held management positions in various departments with increasing levels of responsibility until he became Head of Finance in 2000. As Head of Finance he held management positions in branches in Germany, Switzerland, Austria, Tunisia and The Netherlands. From 2001 to 2002 he was Head of Finance for Snam Rete Gas. Between 2002 and 2006 he was Head of Equity and Debt Capital Market for Eni S.p.A. and from 2006 to 2007 he was CEO of Eni Coordination Center S.A. From 2007 to November 2016 he was Chief Financial Officer of Snam. He was also a member of the Board of Directors of Snam Rete Gas and Italgas. He is currently Chairman of the Board of Directors of Stogit and of Gasrule Insurance Ltd and is a member of the Board of Directors of Trans Adriatic Pipeline – TAP and of Italgas Reti.

Bruno Burigana (Director of Human Resources & Organization). He was born in Caneva (PN) in 1963 and graduated in Economics and Business from the Università Cattolica del Sacro Cuore, Milan. He began his career as a managerial and professional training expert for IRI. From 1985 to 1987 he worked with Ancifap S.c.p.a. From 1992 to 2001 he worked at Enichem S.p.A. and from 2002 to 2007 he was Head of Personnel Management and Development at Syndial S.p.A. Between 2004 and 2007 he also held the position of Head of Personnel, Organisation, Systems and Quality at Ambiente S.p.A. From 2007 to 2009 he worked at Snam, where he was Head of Resources Planning, Managerial Development and Compensation. He was also a member of the Management Committee of Snam. Between 2010 and 2012 he was Head of Personnel of Snam. From 2010 to 2015 he was a member of the Board of Management of Toscana Energia S.p.A. Between 2012 and 2015 he was also Director of Human Resources & Security of Snam. From 2015 to 2016 he was Director of Business Services of Italgas Reti.

Pier Borra (Director of Commercial Development). Born in Kebalo (Democratic Republic of the Congo) in 1953, he graduated in Economics and Business from the University of Turin. He began his career in Italgas Reti in 1980, working in the area of Consolidated Financial Statements, Inspections and Company Audit. From 1984 he also held positions of responsibility in the area of Audit. From 1991 to 1994 he was Head of Audit and Control and from 1994 to 1997 he held the post of Director of Planning and Control. Between 1997 and

2001 he was Director of Business Strategy, Planning and Control. In 2001 he was appointed Director of Strategy, Planning and Development, a post he held until 2003. In 2002 he became Chairman of the Board of Directors of Partecipazioni Industriali S.p.A. From 2004 to 2006 he was the CEO of Toscana Gas S.p.A. and in 2006 he was appointed CEO of Fiorentina Gas S.p.A. From 2004 to 2005 he also held the post of CEO of Toscana Gas Vendita S.p.A. and from 2006 to 2011 he was CEO of Toscana Energia S.p.A. In 2012 he was appointed Director of Development, Trade and Relations with the Authorities of Italgas Reti. He held the post of member of the Board of Directors of Umbria Distribuzione S.p.A. and AES S.p.A. He is currently a member of the Board of Directors of Acam Gas S.p.A.

Alessio Minutoli (Director of Legal and Corporate Affairs and Compliance). Born in Messina in 1973, he graduated in Law from the University of Messina and qualified as a lawyer in 2000. In 2002 he gained a Masters in Tax Law. In 2003, after working at the legal practice of Gianni, Origoni, Grippo & Partners, he started working within the legal department of the Exploration & Production Division of Eni S.p.A. In 2010 he joined Snam Rete Gas as Head of Legal Distribution and in July 2011 he became Head of the Legal Division for Transport. In December 2011 he was appointed Head of the Legal Division of Snam Rete Gas. Between April 2013 and October 2016 he was Head of Legal, Business and Commercial Affairs of Snam. From May 2014 he has been a member of the Board of Directors of Acam Gas S.p.A. From 2015 he has been on the board of management of the Associazione Nazionale Industriali Gas (Anigas).

As far as the Beneficiary Company is aware, none of the Italgas Managers with Strategic Responsibilities has family relationships with other members of the Board of Statutory Auditors, members of the Board of Directors or with Management with Strategic Responsibilities.

Excluding the roles held at Italgas at the Information Document Date, the table below lists all the companies with share capital or partnerships in which managers with strategic responsibilities have been members of management, control or supervisory bodies, or holders of “qualified” equity investment (more than 3% in listed companies and 10% in unlisted companies), in the last five years, with details of the status of the office and/or the stake held at the Information Document Date.

Name	Company	Office/Stake held	Status of the office / stakeholding at the Information Document Date
Antonio Paccioretti	Snam Rete Gas	Director	Terminated
	Snam	Chief Financial Officer	Terminated
	Italgas (now Italgas Reti)	Director	Terminated
	Italgas Reti	Director	In office
	Stogit	Chairman of the Board of Directors	In office
	Trans Adriatic Pipeline – TAP	Director	In office
	Gas Rule Ltd	Chairman of the Board of Directors	In office
Bruno Burigana	Toscana Energia S.p.A.	Director	Terminated
	Snam	Management Committee	Terminated
Pier Borra	Toscana Energia S.p.A.	CEO	Terminated
	Napolatenagas	Director	In office
	Toscana Energia S.p.A.	Director	In office
	AES S.p.A.	Director	Terminated
	Umbria Distribuzione S.p.A.	Director	Terminated
	Acam Gas S.p.A.	Director	In office
Alessio Minutoli	Acam Gas S.p.A.	Director	In office

As far as the Beneficiary Company is aware, none of the Managers with Strategic Responsibilities has, in the last five years, been convicted of crimes of fraud, or been associated, under the scope of carrying out their job, with bankruptcy, forced administration or liquidation proceedings, or, lastly, been the subject of official incriminations and/or the object of sanctions by the public or regulatory authorities (including designated professional associations) or bans by a Court from a member of management, control or supervisory bodies of Italgas holding office or on any issuer carrying out management or administrative activities.

Founding partners

Italgas was established on 1 June 2016 by Snam.

Conflicts of interest of members of the Board of Directors, Board of Statutory Auditors and Managers with Strategic Responsibilities

Except for what highlighted below, none of the members of the Board of Directors, members of the Board of Statutory Auditors and Managers with Strategic Responsibilities of Italgas has interests, on its own account or on behalf of third-parties, in potential conflict of interest with Italgas and/or with obligations with regard to Italgas.

Lorenzo Bini Smaghi, Chairman of the Board of Directors of Italgas is also Chairman of the Board of Directors of Société Générale S.A., one of the credit institutions with which the Issuer has signed the Bridge to bond financing and two revolving credit lines on 28 October 2016, better described in the following paragraph 3.7.2 of this Information Document.

Yunpeng He, member of the Board of Directors of Italgas, he is also a member of the Board of Directors of CDP Reti and Snam.

Paolo Mosa, member of the Board of Directors of Italgas, he is also a member of the Board of Directors of Snam Rete Gas.

Antonio Paccioretti, General Director Finance and Services of Italgas, he is also a member of the Board of Directors of Italgas Reti, Stogit and Gasrule Insurance Ltd.. At the date of the Disclosure Document, Antonio Paccioretti holds 37,550 shares of Snam. Therefore, at the Effective Date of the Demerger he will hold 7,510 shares of the Issuer.

Pier Borra, Director of Commercial Development of Italgas, he is also a member of the Board of Directors of the Acam Gas, Napoletanagas and Toscana Energia.

Alessio Minutoli, Director of Legal and Corporate Affairs and Compliance of Italgas, he is also a member of the Board of Directors of the Acam Gas.

Maurizio Dainelli, member of the Board of Directors of Italgas, is also a manager at CDP.

3.6.2 Remuneration and benefits

Remuneration and benefits to members of the management, control and supervisory bodies

In the light of the fact that the Beneficiary Company was established on 1 June 2016 no remuneration or benefits have been paid to the management and supervisory bodies for 2015.

Remuneration intended for members of the Board of Directors was approved by the Ordinary Shareholders' Meeting of 4 August 2016 at €40,000 gross per annum for each Board Member.

Annual remuneration, intended for members of the Board of Statutory Auditors was approved by the Ordinary Shareholders' Meeting of 4 August 2016 at €40,000, respectively, for each Standing Auditor and at €60,000 for the Chairman of the Board of Statutory Auditors, in addition to reimbursement of expenses.

It should be pointed out that the Issuer has considered it appropriate to postpone the approval of the remuneration policy for directors and managers with strategic responsibility as well as the determination of the remuneration of the CEO and Executives with Strategic Responsibilities to a later time after the beginning of trading of its shares. This determination is motivated by the need to ensure ample preliminary activities by the Issuer's structures within the necessary technical time for the definition of the above-mentioned acts, with an active involvement of recently appointed committees, called to express their opinion regarding such acts.

Sum of amounts set aside or accumulated by the Beneficiary Company for the payment of pensions, severance pay or similar benefits

At the Information Document Date, Italgas has not yet made provision for the payment of pensions, severance pay or similar benefits.

3.6.3 Board of Directors' procedures

Term of office

As stated previously, on 4 August 2016 the Ordinary Shareholders' Meeting appointed a new Board of Directors. The Board of Directors appointed by the Ordinary Shareholders' Meeting of 4 August 2016 will remain in office for three financial years, until the date of the Ordinary Shareholders' Meeting called for the approval of the 2018 financial statements.

Employment contracts agreed by members of the Board of Directors and the Board of Statutory Auditors with Italgas or other group companies which involve severance pay

At the Information Document Date there are no employment contracts agreed by members of the Board of Directors and the Board of Statutory Auditors with Italgas or other Italgas Group companies which involve severance pay.

Declaration concerning compliance with the regulations on the subject of corporate governance

Italgas has signed up to and complies with the Code of Corporate Governance with the additions and amendments as a result of the Italgas Group characteristics.

Compliance with the Code of Corporate Governance was approved by the Issuer's Board of Directors at the meeting of 4 August 2016. The Issuer deemed appropriate to defer the adoption of the following acts to one or more subsequent meetings of the Board of Directors on account of the need to ensure that the Italgas structures can make suitable enquiries within the necessary times for the definition of these acts, with the comprehensive involvement of the recently appointed committees being called upon to express their opinion in this regard. Italgas has not currently signed up to the following criteria and principles of the Code of Corporate Governance relating to:

- definition of the guidelines for the internal control and risk management system, pursuant to application criterion 7.C.1, letter a) of the Code of Corporate Governance;
- approval of the remuneration policy for directors and Managers with strategic responsibilities pursuant to principle 6.P.4 of the Code of Corporate Governance;
- adoption of a guideline setting a limit on the number of offices, pursuant to application criterion 1.C.3 of the Code of Corporate Governance.

At the same meeting of 4 August 2016 and at later meetings, the Issuer's Board of Directors then adopted several resolutions adapting the Company's corporate governance system bringing it into line with the main contents of the above-mentioned code, which are illustrated below.

Compliance with the corporate governance rules

Board of Directors' Committees

Pursuant to Art. 13.8 of the Bylaws of Italgas, the Board of Directors can set up internal committees to assign consultation and proactive powers to on specific subjects. Specifically, on 4 August 2016, the Board of Directors set up an appointments committee (the "Appointments Committee"), a compensation committee (the "Compensation Committee"), a control and risks and related-party transactions committee (the "Control and Risks and Related-Party Transactions Committee") and a sustainability committee ("Sustainability Committee") (collectively the "Committees") and defined their tasks, operating methods and composition criteria.

On 5 September 2016, the Board of Directors appointed the members of the above-mentioned committees in conformity with the applicable regulations and recommendations of the Code of Corporate Governance.

The tasks assigned and operating rules adopted by the above-mentioned committees is summarised below.

Appointments Committee

The Appointments Committee is made up of at least three non-executive directors, the majority of whom are independent.

It provides the following consultative and advisory functions to the Board of Directors:

- it proposes to the Board of Directors candidates for the position of director, should the office of one or more directors be vacated during the year (Art. 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the least represented gender;
- at the proposal of the CEO and approval from the Chairman, it submits to the Board candidates for the corporate bodies of the Subsidiaries included in the scope of consolidation. Proposals made by the Appointments Committee are compulsory;
- it prepares and proposes:
 - (i) procedures for the annual self-assessment of the Board and its committees;
 - (ii) directives concerning limitations and restrictions for the accumulation of positions by directors of Italgas and its subsidiaries;
 - (iii) criteria for assessing both the requirements of professionalism and independence of the Board members of Italgas and its subsidiaries and the competing activities performed;
- it reports to the Board of Directors on the activities carried out, at least every six months and no later than the deadline for approval of the annual and half-year financial reports; in any case, subsequently to each of their meetings, the Nominations Committee updates the Board of Directors with a communication, at the first possible meeting, regarding any comments, recommendations, or opinions they have formulated.

The composition of the Appointments Committee is as follows:

Name	Role
Cinzia Farisè	Non-executive director – Chairman ⁽¹⁾
Maurizio Dainelli	Non-executive director
Nicola Bedin	Non-executive director ⁽¹⁾

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

The Chairman of Italgas, the CEO and, for matters relevant to him, the Chairman of the Board of Statutory Auditors, or a standing auditor designated by him, shall attend Appointments Committee meetings. Other non-Appointments Committee members may also attend, upon invitation by the Appointments Committee, in order to provide information and express an opinion on individual agenda items.

The Appointments Committee is validly convened if at least two members in office are present and decisions can be passed through an absolute majority vote of those present; in the case of a tie, the Chairman of the Appointments Committee has the casting vote.

Compensation Committee

The Compensation Committee is composed of three non-executive directors, all of whom are independent, or, alternatively the majority of whom are independent. In the latter case, the Chairman is chosen from the independent directors.

It provides recommendations and advice, as described in the Regulations most recently approved by the Board of Directors on 4 August 2016, to the Board of Directors on directors' remuneration. In particular:

- it submits the Remuneration Report and, in particular, the remuneration policy for directors and managers with strategic responsibilities, to the Board of Directors, for its approval and presentation to the Shareholders' Meeting convened for the approval of the separate financial statements, under the terms provided for by law;
- it reviews the vote on the Remuneration Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;
- it prepares proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;
- it makes proposals concerning the compensation of members of the Board of Directors' Committees;
- it examines information reported by the Chief Executive Officer regarding:
 - (i) the general criteria for the remuneration of managers with strategic responsibilities;
 - (ii) general guidelines for the remuneration of other managers of Italgas and its subsidiaries; and
 - (iii) annual and long-term incentive plans, including share-based plans;
- it examines the proposals of the CEO regarding the definition of performance targets, the aggregation of company results; it proposes the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable remuneration of directors with powers;
- it proposes the definition, in relation to directors with powers, of:
 - (i) the indemnification to be paid in the event of termination of their employment;
 - (ii) non-compete agreements;
- it monitors the application of decisions made by the Board of Directors;
- it periodically evaluates the adequacy, overall consistency and concrete application of the policies adopted, as described above, submitting proposals to the Board of Directors;
- it performs any duties that may be required by the procedure concerning related-party transactions carried out by Italgas;

- it reports on the exercising of its functions to the Shareholders' Meeting convened to approve the separate financial statements for the year, through the Chairman of the Compensation Committee or another member appointed by the latter.
- it reports to the Board of Directors on the activities carried out, at least every six months and before the deadline for approval of the financial statements and the half-yearly report, at the Board meeting indicated by the Chairman of the Board of Directors; also, subsequent to each meeting, it updates the Board of Directors with a communication, at the first possible meeting, regarding any comments, recommendations, or opinions they have formulated.

In accordance with the Board's decision, the Compensation Committee annually reviews the remuneration structure of the Internal Auditor and ensures that it is consistent with the general criteria approved by the Board of Directors for all managers, indicating the above to the Chairman of the Control and Risk Committee for the purposes of the opinion which he must express on this matter at the Board meeting.

The composition of the Compensation Committee is as follows:

Name	Role
Barbara Borra	Non-executive director – Chairman ⁽¹⁾
Maurizio Dainelli	Non-executive director
Paola Annamaria Petrone	Non-executive director ⁽¹⁾

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

At the time of the appointment, the Board of Directors has verified that at least one member of the Compensation Committee has sufficient knowledge and experience of financial matters or remuneration policies.

Meetings of the Compensation Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. In the event of a tie, the Chairman of the Compensation Committee has the casting vote.

The Chairman of the Board of Statutory Auditors or a Standing Auditor designated by the latter can attend meetings of the Compensation Committee; upon invitation of the Remuneration Committee, other parties can also attend meetings to provide information and evaluations, at the request of the Chairman of the Compensation Committee, with regard to individual items on the agenda.

Control, Risk and Related-Party Transactions Committee

The Control, Risk and Related-Party Transactions Committee is composed of three independent, non-executive directors.

It provides recommendations and advice to the Board by making suitable enquiries to support Board of Director decisions and assessments concerning the internal control and risk management system, as well as those relating to the approval of financial reports. In particular:

- to evaluate, together with the Chief Financial Officer and upon hearing the opinion of the Independent Auditors and Board of Statutory Auditors, the proper use of accounting standards and their consistency for purposes of preparing the consolidated financial statements;
- to express opinions on specific aspects involving the identification of the main risks to the Company;
- to carry out further tasks which are assigned by the Board of Directors with regard to transactions where directors and auditors have interests and related-party transactions, under the terms and conditions indicated in the Italgas OPC Procedure (as defined below);
- it examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Auditor;
- it monitors the independence, suitability, effectiveness and efficiency of the Internal Auditor;
- it may ask the Internal Auditor to carry out inspections of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the director in charge of the internal control and risk management system;
- it reports to the Board of Directors, at least every six months, when the annual and interim financial reports are approved, on the activities conducted, as well as on the adequacy of the internal control and risk management system; in any event, after Control, Risk and Related-Party Transaction Committee meetings, it updates the Board of Directors, at the first meeting, regarding the subjects dealt with and any observations, recommendations and opinions formulated;
- it expresses an opinion on the proposals made by the Director responsible for the internal control and risk management system, in agreement with the Chairman, to the Board of Directors (i) regarding the appointment, dismissal and remuneration of the Internal Auditor, in line with the Company's remuneration policies of Italgas, and (ii) which aim to ensure that this individual has the appropriate skills and resources with which to carry out his/her duties.
- it supports, making suitable enquiries, the assessments and decisions of the Board of Directors regarding the management of risks resulting from prejudicial events that have come to the knowledge of the Board of Directors or which the Control, Risk and Related-Party Transactions Committee have brought to the attention of the Board of Directors;
- it expresses its opinion to the Board of Directors for:
 - (i) the definition of the guidelines for the internal control and risk management system, so that the main risks affecting Italgas and its subsidiaries are correctly identified and adequately measured, managed and monitored, and to determine the degree of compatibility of such risks through management that is in line with the strategic objectives that have been set;

- (ii) periodically evaluating, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of Italgas and the risk profile it has adopted;
- (iii) periodically approving, at least once a year, the audit schedule prepared by the Internal Auditor;
- (iv) describing, in the Report on Corporate Governance and Ownership Structure, the main features of the internal control and risk management system, as well as evaluating the adequacy of the system;
- (v) evaluating the conclusions presented by the External Auditors in any suggestion letters and in the report on key matters arising from the external audit.

Lastly, the Control and Risk and Related-Party Transactions Committee, performs the functions assigned to it by the Board of Directors under the scope of the Italgas OPC Procedure.

The Board of Statutory Auditors and the Control and Risk and Related-Party Transactions Committee receive and collect information, at least quarterly, from the control functions (*Internal Audit, Risk Management, Compliance*) and from the Independent Auditors about checks carried out and any weaknesses or critical areas or anomalies discovered.

The Control and Risk and Related-Party Transactions Committee is composed of the following members:

Name	Role
Paola Annamaria Petrone	Non-executive director – Chairman ⁽¹⁾
Barbara Borra	Non-executive director ⁽¹⁾
Cinzia Farisè	Non-executive director ⁽¹⁾

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

At the time of appointment, the Board of Directors has verified that at least one member of the Control and Risk and Related-Party Transactions Committee possesses adequate experience in accounting, finance or risk management.

Meetings of the Control and Risk and Related-Party Transactions Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. If there is a tie, the Chairman of the Control and Risk and Related-Party Transactions Committee has the casting vote.

Members of the Board of Statutory Auditors are invited to attend meetings of the Control and Risk and Related-Party Transactions Committee. At the invitation of the Control and Risk and Related-Party Transactions Committee, the Chairman of the Board of Directors and the Director with responsibility for the internal control system and risk management can attend meetings. At the invitation of the Control and Risk and Related-Party Transactions Committee, parties who are no members of the Control and Risk and Related-Party Transactions Committee can attend in order to provide information and express opinion with regard to individual items on the agenda.

Sustainability Committee

The Sustainability Committee is made up of three non-executive directors, one of whom are independent.

The Sustainability Committee, aimed at the supervision of sustainability issues in connection with the exercise of business activities and its interaction dynamics with all the shareholders, carries out proposal and consultation functions with regard to the Board of Directors on matters of sustainability, understood as the processes, initiatives and activities intended to oversee the commitment of Italgas to sustainable development along the value chain.

Specifically, the Sustainability Committee:

- examines and evaluates:
 - (i) the sustainability policies aimed at ensuring the creation of value over time for shareholders and for all other stakeholders in the medium-/long-term with regard to the principles of sustainable development;
 - (ii) the guidelines, objectives and consequent processes, of sustainability and the sustainability reporting submitted annually to the Board of Directors;
- monitors the positioning of Italgas with regard to financial markets involving sustainability, with special reference to the placement of Italgas on the ethical sustainability indices;
- monitors national and international initiatives with regard to sustainability and the participation of Italgas in them, aimed at consolidating corporate reputation internationally;
- examines any sustainability initiatives provided for under the agreements submitted to the Board of Directors, also with regard to the subject of climate change; *examine the profit* and non-profit strategy, as well as gas advocacy of Italgas;
- examines the profit and non-profit strategy, as well as gas advocacy of Italgas;
- expresses, at the request of the Board of Directors, an opinion on other questions regarding sustainability;
- following each of its meetings, the Sustainability Committee updates the Board of Directors, at its first meeting, with regard to the subjects dealt with and the observations, recommendations and opinions formulated; it also reports to the Board of Directors, at least every six months, no later than the deadline for the approval of the annual and interim financial reports, on the activities carried out, at the board meeting indicated by the Chairman of the Board of Directors.

The composition of the Sustainability Committee is as follows:

Name	Role
Nicola Bedin	Non-executive director – Chairman ⁽¹⁾
Yunpeng He	Non-executive director
Paolo Mosa	Non-executive director

(1) Director fulfilling the independence requirements set out in Art. 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

Meetings of the Sustainability Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. In the event of a tie, the Chairman of the Sustainability Committee has the casting vote.

The manager with responsibility for sustainability takes part in meetings of the Sustainability Committee. The Chairman of the Board of Directors, the CEO, the Chairman of the Board of Statutory Auditors and a Standing Auditor designated by the latter are invited to attend meetings. At the invitation of the Sustainability Committee, other parties can also attend meeting to provide information and evaluations with regard to individual items on the agenda.

(B) Independent Directors

On 4 August 4 2016, the Shareholders' Meeting appointed the new Board of Directors of Italgas composed of 9 members, who have taken office as of the date of the meeting.

The Board of Directors, as appointed by virtue of the presence of a sufficient number of non-executive and independent directors, respects both the rules of law in the matter (in particular, Article 147-ter(4) of the TUF), and the principles of corporate governance dictated by the Corporate Governance Code.

In particular, the Board of Directors is composed of a Chairman with non-management powers (Lorenzo Bini Smaghi), an executive director (Paolo Gallo) and seven non-executive directors pursuant to Article 2 of the Corporate Governance Code (Nicola Bedin, Maurizio Dainelli, Yunpeng He, Paolo Mosa, Paola Annamaria Petrone, Barbara Borra, Cinzia Farisè), and among them, four independent directors within the meaning of Article 3 of the Corporate Governance Code and the combined provisions of Articles 147-ter(4) and 148(3) of the TUF (Barbara Borra, Nicola Bedin, Cinzia Farisè and Paola Annamaria Petrone) and three directors belonging to the less represented gender (Barbara Borra, Cinzia Farisè and Paola Annamaria Petrone).

The existence of such requirements was further examined by the Board of Directors at its meeting held on 5 September 2016, and will be screened periodically or upon the occurrence of particular circumstances that may diminish the independence requirements for one or more directors.

The presence of a reasonable number of non-executive and independent directors is meant to ensure the making of adequately weighted decisions, subject (also) to the examination by directors who are by definition outside of the operational management of Italgas (“non-executive directors”) and, among other things, independent both from the management and from the majority shareholders (“independent”).

(C) Internal Control and Risk System

The Control and Risks and Transactions with Related Parties Committee described above was set up within the Board of Directors of Italgas on 4 August 2016.

On the same date the Board also approved a regulation governing the organization and operation of the Control and Risks and Transactions with Related Parties Committee. In addition, on 4 August 2016 the Board of Directors of Italgas appointed the CEO as director in charge of the system of internal control and risk management, called to carry out the functions referred to in the application criterion 7.C.4 of the Code.

The Committee shall carry out the functions referred to in the application criteria 7.C.1 and 7.C.2 of the Code of Conduct.

On 5 September 2016 the Board of Directors of Italgas has appointed 3 non-executive directors in possession of the requisite independence provided for by the Code of Conduct as members of the Control and Risks and Transactions with Related Parties Committee (Paola Annamaria Petrone, Barbara Borra and Cinzia Farisè). On the same date the Board of Directors of the Beneficiary concluded that Barbara Borra and Cinzia Farisè possess adequate accounting and financial or risk management experience.

In the context of the illustrated organizational structure of Italgas, the Board of Directors on 26 September 2016 appointed Silvio Bianchi as head of the Internal Audit function, ad interim, until 31 December 2016. He serves the same function within Snam. Silvio Bianchi is capable of ensuring the necessary continuity of the Internal Audit function of Italgas in the initial stages, also in order to allow the completion of the audit plan of Italgas, using the internal audit function organizational structure implemented at Italgas. Subsequently, the Board of Directors of Italgas will proceed to the appointment of the person responsible for Internal Audit.

Finally, on 18 October 2016 the Board of Directors of Italgas, with the favourable opinion of the Board of Statutory Auditors, appointed Claudio Ottaviano as Manager in charge of drafting corporate accounting documents for Italgas, pursuant to Article 154-bis of the TUF.

Also on 18 October 2016, the Board of Directors of Italgas, in order to equip the company's internal control system with a system permitting employees to report any irregularities or breaches of applicable regulations and internal procedures (so-called Whistleblowing), has approved the procedure concerning reports, including anonymous ones, received by Italgas and its subsidiaries.

(D) Organization, management and control model pursuant to Legislative Decree 231/01

On 18 October 2016 the Board of Directors of Italgas approved the general part of the Company' Organizational and Management Model pursuant to Legislative Decree No. 231 of 8 June 2001. Within the meaning of chapter 7 of the general part of the Model 231 and subsequently to the listing, a Risk Assessment project will be launched aimed at drafting the document "Sensitive Processes and Activities and Specific Control Standards of the Model 231", which will constitute the "Special Part" of the Model 231. After the listing, the appointment of the Supervisory Board of Italgas will be brought to the attention of the Board of Directors of Italgas.

(E) Relations with investors

A manager responsible for the management of the relations with shareholders (investor relator), with the task of performing the functions referred to in the application criterion 9.C.1 of the Code was identified within the organizational structure of Italgas.

(F) Procedure for the treatment of corporate information and procedure of internal dealing

On 5 September 2016, the Board of Directors of Italgas has adopted a “market abuse” procedure, drawn up pursuant to and for the effects of Article 114 of the TUF of Regulation (EU) No. 596/2014 and Directive 2014/57/EU. The “market abuse” procedure is composed of two sections.

The first section deals with the treatment of insider information as well as the keeping of a register of persons with access to inside information. It indicates the rules relating to: (i) the actual operation of the registry; (ii) the tasks and roles of members in charge of the management of privileged information; (iii) the distribution of privileged information, as well as the modalities for the processing and publication of such information.

The second section governs internal dealing, concerning transactions in financial instruments carried out by relevant persons (so-called “insiders”) and by persons closely associated with them, as well as the prohibition imposed on the Beneficiary Company to perform operations on listed financial instruments issued by the same during the blackout period. This procedure is intended to regulate obligations for disclosure and conduct that must be observed and complied with by such relevant persons and by Italgas, in order to ensure maximum transparency of information with respect to the market.

(G) Regulation for the discipline of the Shareholders’ Meeting

On 4 August 2016, the shareholders’ meeting of Italgas has adopted a meeting regulations containing the procedures to be followed for the orderly and effective conduct of the shareholders’ meeting of the company, effective from the date of commencement of trading of its shares on the MTA.

(H) Procedures for transactions with related parties

As already described sub C, on 4 August 2016 the Board of Directors of Italgas set up the Control and Risks and Transactions with Related Parties Committee and on 5 September 2016 it appointed its members. On 18 October 2016, the Board of Directors of Italgas defined the procedure for transactions with related parties, drawn up in accordance with the principles established by the OPC Regulation and in Communication No. DEM/10078683 of 24 September 2010 (the “Italgas OPC Procedure”), deciding to subject it to the first meeting of the Control and Risks and Transactions with Related Parties Committee so it could express its opinion within the meaning of the relevant legal and procedural provisions. For a more detailed description of the Committee, see paragraph A “Committees of the Board of Directors” above.

With regard to the definition of “related party”, reference is made to the notion given in Annex 1 to the OPC Regulation.

The OPC Italgas Procedure identifies the operations of greater importance and the operations of minor importance. The operations of greater importance are identified as those in which at least one of the following

relevance indices, applicable depending on the specific operation, is higher than the threshold of 5% (or 2.5% for transactions with the listed parent company):

- (i) counter-value relevance index, understood as: (a) The ratio between the value of the operation and the equity portion from the most recent consolidated balance sheet published by the Italgas Group; or, if higher, (b) the capitalisation of the Italgas Group detected at the close of the last day of the open market comprised in the reference period of the most recent periodical accounting document published (annual or bi-annual financial report or interim management statement);
- (ii) asset relevance index, understood as the ratio between the total assets of the entity that is the subject of the transaction and the total assets of the Italgas Group, according to what is stated in the most recent consolidated balance sheet published by the Italgas Group;
- (iii) liability relevance index, understood as the ratio between the total liabilities of an entity acquired and the total assets of the Italgas Group, according to what is stated in the most recent consolidated balance sheet published by the Italgas Group; where possible, similar data must be used for the determination of the total liabilities of the company or branch of the company acquired.

The principles to be observed in the case where Italgas starts a negotiation intrinsic to a transaction with related parties are the following:

- (i) The Control and Risks and Transactions with Related Parties Committee and the body competent to decide on the transaction must be provided, reasonably in advance, with complete and appropriate information on the transaction with related parties;
- (ii) the information provided must put both the Control and Risks and Transactions with Related Parties Committee and the body competent to decide on the operation in the condition to carry out a thorough and documented examination in the appraisal and deliberation phase to evaluate the reasons for the transaction, as well as the benefits and the substantial correctness of its conditions; the documentation prepared must contain objective elements of evidence where the conditions of the transaction with related parties are defined as equivalent to market or standard conditions;
- (iii) the transaction with related parties is deliberated from time to time by a responsible body, acting only after the issue of a reasoned, non-binding opinion on the part of the Control and Risks and Transactions with Related Parties Committee, regarding the interest of Italgas in the completion of the transaction, as well as the benefits and the substantial correctness of the conditions of the operation;
- (iv) the Control and Risks and Transactions with Related Parties Committee has the right to be assisted, at the expense of Italgas, by one or more independent experts of their choice;
- (v) the delegated bodies provide complete information, at least quarterly, to the Board of Directors and the Board of Statutory Auditors on the execution of operations with related parties;
- (vi) where the opinion of the Internal Control Committee is negative and involves an operation of minor importance, the Board of Directors may also approve the transaction. In this case, without prejudice to all the additional obligations of law and, in particular, those referred to in Article 114 of the TUF,

within 15 (fifteen) days after the closure of each quarter of the financial year Italgas, is obliged to make available to the public, according to the rules laid down by the applicable legislation - including regulatory norms - a document containing the following information relating to transactions with related parties approved despite the negative opinion of the Control and Risks and Transactions with Related Parties Committee: indication of the counterparty, object and consideration of the transaction, as well as the reasons why the opinion of the Control and Risks and Transactions with Related Parties Committee was not followed;

- (vii) the records or documents of approval of the transaction reporting the proper justification with regard to the interest of Italgas in the completion of the transaction, as well as the benefits and the substantial correctness of the relative conditions.

Notwithstanding the cases of exclusion governed by the Italgas OPC Procedure, the following procedure must be carried out for operations of greater importance.

The Control and Risks and Transactions with Related Parties Committee should be given full and adequate information on the transaction with related parties as soon as it is available and in any case at least seven days before the first meeting for the issuing of the opinion. If the terms of the transaction are considered by the representative as equivalent to those of the market or standard, the documentation prepared must contain objective elements of evidence.

In this respect:

- (i) the Control and Risks and Transactions with Related Parties Committee, or one or more of its members, delegated by it, is involved in the stage of negotiations and in the preliminary phase through the reception of a comprehensive and timely information flow, with the ability to request information and make comments to the delegated bodies and persons responsible for conducting the negotiations or the investigation;
- (ii) the Control and Risks and Transactions with Related Parties Committee may be assisted at the expense of the Beneficiary Company, by one or more independent experts of their choice;
- (iii) if the competence to decide is attributed to a subject or component different than the representative or the person who has carried out the investigation, the opinion issued by the Control and Risks and Transactions with Related Parties Committee is transmitted to them, in addition to the information already submitted;
- (iv) the minutes or documents of approval of the operation, where applicable, shall contain adequate justification of the interest of the company in the completion of the transaction, as well as the benefits and the substantial correctness of the underlying conditions.

The competence to decide is reserved to the Board of Directors of Italgas. The Board of Directors approves the operation with a prior favourable opinion of the Control and Risks and Transactions with Related Parties Committee on the interest of the Beneficiary Company in the completion of the transaction, as well as the benefits and the substantial correctness of the underlying conditions.

Moreover, to the extent permitted by OPC Regulation, the Italgas OPC Procedure imposes an exclusion of certain categories of operations from the application of the rules; in particular: (i) resolutions of the meeting referred to in Article 2389(1) of the Italian Civil Code relating to fees payable to members of the Board of Directors; (ii) decisions relating to the remuneration of directors vested with particular duties falling within the total amount previously determined by the shareholders' meeting within the meaning of Article 2389(3) of the Italian Civil Code; (iii) resolutions referred to in Article 2402 of the Civil Code relating to fees payable to members of the board of statutory auditors; (iv) operations of an "insignificant amount"; (v) incentive plans based on financial instruments approved by the shareholders' meeting within the meaning of Article 114-bis of the TUF and related executive operations; (vi) decisions relating to the remuneration of directors and directors vested with special mandates, different from those indicated in points (i), (ii) and (iii) which precede, and executives with strategic responsibilities under certain conditions; (vii) ordinary operations concluded under conditions similar to those usually practised with unrelated parties for operations of corresponding nature, extent and risk, i.e., based on regulated tariffs or imposed prices or those charged to subjects, with which the Company is obliged by law to contract at a determined price, notwithstanding the provisions of Article 114(1) of the TUF with respect to the operations of greater relevance; (viii) transactions with or between subsidiaries, even joint, as well as transactions with associated companies, where there are no interests qualified as significant involving other related parties of the company in subsidiaries or related companies that are the counterparts of the operation. Interests arising from simple sharing of one or more directors or managers with strategic responsibilities between Italgas and subsidiaries are not considered significant.

3.7 Significant agreements

The main significant agreements signed by Italgas Group companies during the twelve months prior to the Information Document Date are described below.

3.7.1 Service Agreements

At the Demerger Effective Date, the Italgas Group, in addition to maintaining full autonomy with regard operations, commercial activities and procurement, will have the necessary resources and structures to ensure the continuity of activities previously guaranteed by the current parent Snam.

Below is a list of the areas in which Snam has provided services to the Italgas Group: legal affairs, corporate affairs and compliance, administrative and budget services, planning and control, finance, tax, health, safety environment and quality, ICT, human resources, organisation, regulatory affairs, external communication, sustainability, relations with institutions/associations, security, general services, property services, enterprise risk management, internal audit, procurement and material management.

With regard to the services provided previously by Snam in the areas listed above and to the current level of implementation of the initiatives aimed at providing the Issuer with the necessary resources and structures, note that the services provided have specifically involved the three areas illustrated below:

1) Resources

As a result of the separation of Italgas from Snam from 1 November 2016, Italgas personnel seconded to Snam who were providing staff services across all Snam Group business areas, will go back to providing services exclusively to Italgas Group companies and, therefore, the secondments will cease.

In order to guarantee the Italgas Group the necessary resources for carrying out regular company operations from 1 November 2016, there are plans to move several resources from Snam/Snam Rete Gas to Italgas Group companies by applying the transfer of the contract without interruption to the employment contract.

The management of Italgas estimates that at the Effective Date of the Demerger there will be 3622 employees of the Italgas Group with the following breakdown by category: managers 57, senior staff 242, employees 1928, workers 1395. This structure is considered by the management of Italgas adequate for the management of the company activities.

There is also a recruitment plan to cover the further personnel requirements of the Italgas Group staff structures.

2) Information systems

The needs of the Italgas Group with regard to information systems have been identified. Therefore, the following have been activated: i) reconfiguration of the profiles necessary to allow the Italgas Group to operate independently from the Snam Group from the time of the Demerger Effective Date; (ii) a cloning process of the transverse applications of interest to the Italgas Group aimed at guaranteeing full application separation within the minimum technical times strictly necessary.

3) Contracts

During the preparatory stage of the Transaction, all existing contracts with third-parties deemed necessary to the Italgas Group in order to be able to operate fully independently from the time of the Demerger Effective Date were mapped. In the light of this analysis, the procurement procedures necessary for the Issuer to be equipped, from the Demerger Effective Date, with all the necessary contractual instruments were activated.

The services currently provided to Italgas by Snam and Snam Rete Gas will stop as of the Demerger Effective Date, it being understood that the provision of services to the Italgas Group relating to some activities for which a temporary support (as described below) will be granted by Snam in favour of the Italgas Group.

On 18 October 2016, the Issuer and Italgas Reti signed 3 service agreements with Snam with effect from 1 November 2016 regarding the above-mentioned subjects. The validity of the service agreements is strictly conditional, pursuant to and by effect of article 1353 Civil Code, on not concluding the Transaction.

The agreements govern the provision of services of various natures and durations. In particular:

- a) activities for which the Italgas Group will have the necessary resources, structures and processes for the oversight.

Snam's support will be limited to ensuring a support stage working alongside with regard to operating/executive activities on technical-special matters for a limited period of time, aimed at allowing Italgas to equip itself all the expertise for totally independent management.

These services, which are expected to continue until 30 April 2017, mainly involve support for human resources activities (planning, selection and development of human resources and labour matters), internal communication, regulatory matters, investor relations methodology, Enterprise Risk

Management, planning and monitoring, accounting principles, methodologies relating to Law No. 262 of 28 December 2005 on the protection of savings and regulation of financial markets, institutional relations, external communication and sustainability.

- b) activities which require a transition period before they can be completely separated, essentially because of the technical restrictions relating to the information systems but also, to a limited extent, in order not to compromise operations in the short-term.

In this context, Snam will support the Italgas Group, in operating/executive activities, for different periods depending on the category of service, aimed at allowing Italgas to complete the segregation of information systems (cloning) and, for some marginal activities, to obtain the resources that will make it fully independent (without prejudice to Italgas's total decision-making responsibility for these activities from the time of the Demerger).

The services that are planned to continue until 31 July 2017 involve:

- b.1) Financial accounting and collections and payments: Snam carries out bookkeeping activities relating to collections and payments, limited purely to recording the transaction. The transactions are conducted solely on the current accounts in the name of the Italgas Group. Decision-making activities - in particular relations with banks, banking relationship endorsement, decisions about current accounts - are the responsibility of the Italgas Group;
- b.2) Accrual based accounting: Snam provides services relating to purely transactional bookkeeping activities for assets of the Italgas Group;
- b.3) Credit management: Snam supports the Italgas Group to produce reports aimed at analysing credit positions/receivables. Reminders and credit recovery actions will be the responsibility of the Italgas Group;
- b.4) Security services: research activities, the development and implementation of procedures and solutions involving corporate security;
- b.5) Tax and tariff advice: services relating to the preparation of tax reports necessary for the preparation of financial information and to support the taxation schedule;
- b.6) Data management: some data (e.g. suppliers, customers, accounts plan, merchandise groups) will remain shared until the cloning of the SAP system, which is expected to take place in September 2017. In the transition period prior to cloning, any changes to this data will be operationally implemented by Snam personnel with specific input formalised by the Italgas Group. Note that this data, specifically as far as suppliers and customers are concerned, only involve basic identification data (such as, for example: company name of the supplier and VAT registration number); in this context also note that the access segregation logic for management and operating views, which will be managed directly by the Italgas Group, will be guaranteed;

- b.7) Legal services: services involving advice on matters such as governance, corporate bodies, the internal control system, organisational and employment models, any extraordinary transactions.

The services that are planned to continue until 31 December 2017 involve:

- b.8) Personnel administration: execution of operations involving the payroll, including processing payslips, maintaining the payroll software, monitoring attendance and secondment;
- b.9) Welfare and personnel services: services mainly relating to travel catering and welfare (e.g. medical arrangements);
- b.10) Information services: relating to application systems, field systems, governance and IT compliance.

Lastly, there are plans for services relating to IT infrastructures, telecommunication and IT security networks until 31 December 2019 (b.11).

The service agreements also include:

- the right to agree the provision of further services of a non-continuous nature;
- the right to review the provision of services, if deemed no longer necessary;
- the identification of minimum service quality levels;
- the possibility for the parties to renew the contract, by written agreement according to the provisions of the Italgas Related Parties Procedure;
- the possibility to withdraw from the contract, and in particular:
 - in the service contract between SNAM and Italgas the parties renounce the right of withdrawal for the first three months after the contract takes effect. Subsequently, Italgas has the right to withdraw with reasonable advance notice according to procedures to be agreed. Snam has the right to withdraw only (i) in case of non-payment of even a single invoice by Italgas or (ii) if Italgas is subjected to any of the insolvency procedures provided for by law or (iii) if a request of admission to a bankruptcy procedure has been submitted, even on the part of third parties or (iv) if Italgas is put into liquidation;
 - in the service contract between SNAM and Italgas Reti the parties renounce the right of withdrawal for the first three months after the contract takes effect. Subsequently, Italgas Reti has the right to withdraw with reasonable advance notice according to procedures to be agreed. Snam has the right to withdraw only (i) in case of non-payment of even a single invoice by Italgas Reti or (ii) if Italgas Reti is subjected to any of the insolvency procedures provided for by law or (iii) if a request of admission to a bankruptcy procedure has been submitted, even on the part of third parties or (iv) if Italgas Reti is put into liquidation;

- in the contract of ICT services between SNAM and Italgas Reti, Italgas Reti has the right to withdraw as of the date of completion of the Distribution Project with notice to Snam by registered letter with return receipt or certified email with a notice of at least 6 months.

Development of Service Agreements

In compliance with the principles of efficiency, cost-effectiveness and quality of service, Snam will charge Italgas Group a fee equal to the cost incurred for the provision of services. The cost does not include any expected margin for Snam. The contracts provide for any adjustment in the final balance between the costs actually incurred and the expected fees.

The costs on which the fee is determined are comprised of:

- a) labor costs of employees dedicated to service delivery;
- b) incidental expenses (e.g., travel expenses);
- c) other operating costs of the service, for example, relating to information technology, management and real estate;
- d) where present, functional external costs for the services sustained by Snam through contracts with third parties.

The services provided by Snam will be regulated by agreements signed by Snam and the Italgas Group and by Snam and Italgas Reti, a direct subsidiary of Italgas.

The division of the services into two categories of agreement is defined according to the distribution of the organisational units between Italgas and Italgas Reti.

Italgas and Italgas Reti will then, in turn, provide services (both those received by Snam and those provided directly by their resources or by other suppliers) to other Italgas Group companies.

The graph below illustrates the operation of the agreements of services provided by Snam to the Italgas Group and intergroup Italgas.

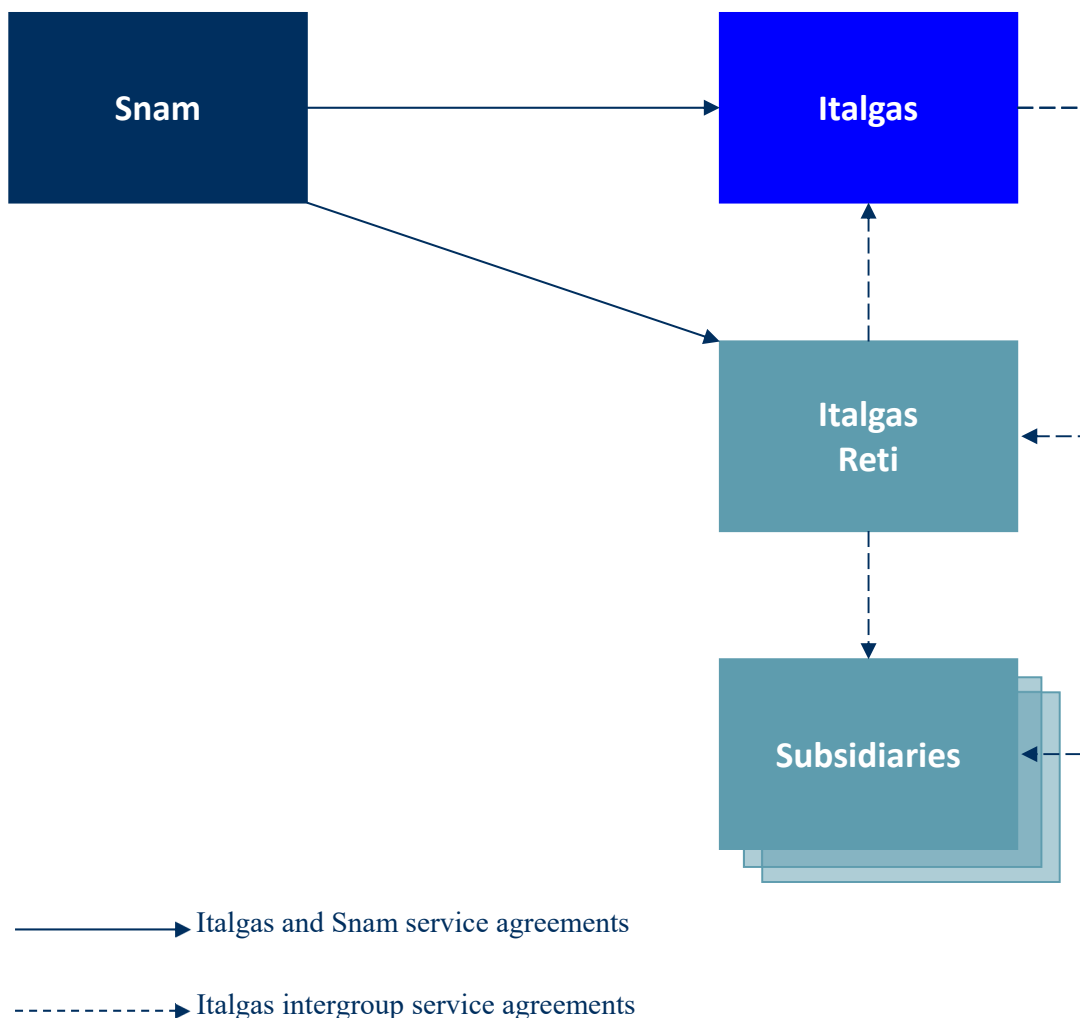


Figure 1 – Operation of service agreements between Snam and the Italgas Group and intergroup Italgas

3.7.2 Loan Agreements

Italgas loans

On 28 June 2016, Italgas signed binding agreements with 11 credit institutes, Barclays, BNP Paribas, Gruppo Crédit Agricole, CDP, Citi, ING, Intesa Sanpaolo, J.P. Morgan, Mediobanca, Société Générale and Unicredit, which are committed to provide Italgas with a funding package for a total amount of €3.9 billion.

Specifically, this funding package comprises:

- (i) a Bridge to Bond financing at a variable rate, provided by a pool of 11 banks for a committed amount equal to 2.3 billion Euro with a duration of 12 months, solely at the borrower’s option, renewable twice for further 6 months each and with a spread of approximately 0.3% over the 1, 3 and 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, with payment of interest on

a half-yearly basis in arrears and bullet repayment at maturity. Such loan, whose purpose is to repay the existing loans with Snam, may be repaid by means of bond issuance;

- (ii) two revolving type credit lines at a variable rate provided by the same pool of banks, for a committed amount respectively equal to 600 million Euro and 500 million Euro and the duration of 3 and 5 years, and with a spread of approximately 0.5% over the 1 or 2 week, or 1, 3 or 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, for the amount used, including usage fees, with payment of interest in arrears and non-usage fees equal to 35% of the spread. Such loans may be used to repay the existing loans with Snam and for the refinancing of the activities of the Issuer;
- (iii) three term loan type financing at a variable rate of the duration of 14 months and 3 years, for a total amount of 500 million Euro provided by three of the 11 banks participating in the pool (BNP Paribas as to the 3 year loan, ING and Unicredit as to the 14 month loans) and a spread of about 0.3% on the 1, 3 and 6-month Euribor (at the discretion of the borrower), with a floor on the Euribor equal to zero, with payment of interest in arrears and bullet repayment;

The relevant loan agreements were signed on 28 October 2016.

In relation to the bridge to bond financing, the objective is to replace with bond issues, to be implemented as part of the Strategic Plan during the 2017 trading period.

In this respect, on 18 October 2016 the Board of Directors of Italgas approved an EMTN program and authorised the emission of one or more not convertible bond loans to be issued within a period of one year from 31 October 2016, amounting to a maximum total of 2.8 billion Euros.

The aforesaid loan agreements provide for compliance with the: (i) negative pledge commitments pursuant to which Italgas 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, exceeding 10% of the net consolidated capital invested; (ii) commitments according to which the funding will enjoy equal treatment with the other unsecured financing (*pari passu*) and change-of-control clauses which allow for limitations in relation to the participation of the borrower's control; and (iii) limitations on certain extraordinary transactions, in particular transfers of company assets, of a value exceeding 30% of total consolidated assets, that the Company and its subsidiaries may carry out (iv) limits on the indebtedness of subsidiary companies for an amount exceeding 20% of consolidated net capital invested.

Failure to comply with these commitments, and the occurrence of other events, such as cross-default events, maintaining a holding in the primary subsidiary companies of at least over 50%, substantial change of industrial activity, failure to comply with information requirements), could result in a possible breach by Italgas and could possibly trigger the early repayment of the related loan. There are no clauses that provide for a hypothesis of cross-default with companies not belonging to the Italgas Group.

There are no obligations among these commitments that involve compliance with ratios of an economic and/or financial nature. Consent to assume the existing debt pursuant to the two loan agreements signed by Snam and the EIB for Italgas Reti projects

The instruments that form part of the Italgas loan package also include the EIB loans “Italgas Distribuzione II” and “Italgas Distribuzione III”, currently in existence between the EIB and Snam, intended for specific investment projects involving distribution. For these loans, totalling €424 million and with an average spread of approximately 0.7% above Euribor for an average remaining term of approximately 18 years, of which €124 million is the “Italgas Distribuzione III” loan assisted by a guarantee issued by CDP, Snam asked consent from the EIB and CDP for transfer to Italgas, through a discharge deed of assumption for Snam, with the agreement of the EIB.

In this regard, on 28 June 2016, two agreements were formalised with the EIB and CDP in which they declared their willingness to allow the assumption of the loans by Italgas. The formal deed of assumption has been signed on 26 October 2016.

Similarly to that envisaged in the EIB financing for companies in the field of distribution of natural gas, the contracts include a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is an obligation to inform the EIB and a subsequent period of consultation between EIB and the borrower as contractually prescribed, at the end of which early repayment of funding may be required of Italgas.

At the Information Document Date, new EIB financing for an amount of approximately 300 million, is in the investigation phase. The new EIB loan, whose completion, expected by the end of the current financial year, will be used to replace the two term loans with the duration of 14 months of the same total amount and therefore will not increase indebtedness.

The average spread of the new bank lines of credit, together with the loans made available by the EIB following the deed of assumption, is expected to be approximately 0.5% over the 6-month Euribor at the effective date of the Demerger.

Vendor Loan

On 2 November 2016, Snam and Italgas signed a financing agreement called Vendor Loan, pursuant to which at the Demerger Effective Date, Snam will deliver an amount equal to 1,503 million Euros in favour of the Issuer, that will allow Italgas to pay Snam the price resulting from the Sale.

This agreement provides that the loan is repaid within 5 days from granting and will be characterized by an interest rate corresponding to the cost of the Snam bank provision.

3.7.3 Cash Pooling Agreement

As of the Effective Date of the Demerger, the Italgas Group will adopt a centralized model of treasury management, according to which the financial operation toward the market and the system of banking relations will be assured by the central finance department of Italgas. The latter will guarantee to its subsidiaries the coverage of their financial needs and the application of the relative surplus cash at market conditions.

The implementation of the model provides for (i) the signing of the banking cash pooling agreement and (ii) the signing of the centralised treasury agreement.

The banking cash pooling agreement will result in the automatic daily reset of current bank accounts of the companies of the Italgas Group and the simultaneous transfer of these balances to the bank account of Italgas. At the same time, the same transactions will be accounted for in inter-company current accounts opened between Italgas and its subsidiaries, accruing contractual creditor or debtor interest, payable at the end of each quarter. A cash pooling contract with Banca Intesa Sanpaolo will be concluded as of the Effective Date of the Demerger.

The centralised treasury agreement will adjust the manner of performing the centralised treasury service by Italgas, in particular the operation of inter-company current accounts and the management of signature credits for the issuing of guarantees. With regard to the inter-company current accounts, the following conditions will be applied:

- o debit interest rate: average rate calculated on the basis of the provision supported by Italgas in respect of the banking system;
- o credit interest rate: average rate calculated in reference to the actual remuneration obtained by Italgas in respect of the banking system.

As of the Effective Date of the Demerger, this operative modality will replace agreements of a similar nature previously existing with Snam. In relation to this autonomous operative modality, it is also indicated that (i) the cost of the cash pooling service paid to Banca Intesa is in line with the best market conditions and (ii) no additional costs for Italgas are expected for the separation from the integrated treasury model of the Snam Group.

3.8 Exceptional factors

The assets of the Italgas Group are reflected in its financial statements as well as in this Information Document. There are no exceptional factors which have influenced the assets of the Italgas Group except for what is described here in Chapter 3.

3.9 Dependence of the Issuer and the Italgas Group on patents or licences, or industrial, commercial or financial agreements or on new manufacturing processes

The Italgas Group conducts its activities in a highly regulated sector in which special authorisations, licences, permits and certificates must be obtained in order to operate (as illustrated in Chapter 3, Paragraph 3.1 et. seq. of the Information Document).

The Issuer and the Italgas Group have no other dependences on patents or licences or industrial, commercial or financial agreements or new manufacturing processes with the exception of those described in Chapter 3 of the Information Document.

3.10 Sources of declarations by the Issuer on the competitive position of the Italgas Group

Information regarding the market position in specific sectors contained in this Section 3 was taken from institutional sources including, primarily, the “Annual Report on the Status of Services and Activities Performed”, AEEGSI, dated 31 March 2016 (published on 21 June 2016), the provisions of the Competition Authority and internal processing of public data.

4. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE ISSUER

Introduction

This Chapter presents the pro-forma consolidated statement of financial position, income statement and statement of cash flows of the Italgas Group at 31 December 2015 (Paragraphs 4.1 and 4.2) and a 30 June 2016 (Paragraphs 4.3 and 4.4), accompanied by explanatory notes (the “Pro-Forma Consolidated Financial Statements of the Italgas Group”). With reference to the Pro-Forma Consolidated Financial Statements at 31 December 2015, note that they (and the notes) are consistent with those in the Snam Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers’ Regulation published on 5 July 2016.

The Pro-Forma Consolidated Financial Statements of the Italgas Group were prepared for information purposes in accordance with CONSOB Communication DEM/1052803 of 5 July 2001, in order to retroactively reflect the effects of the Transaction on Snam Group’s historical data. The Transaction is described in the Paragraph “Reorganisation of corporate structure” in Chapter 2, Paragraph 2.2.1 of this Information Document.

Specifically, the pro-forma data at 31 December 2015 and at 30 June 2016 were prepared for information purposes and are designed to illustrate the effects of the Transaction as if it had taken place, respectively, with regard to the effect on operations at the reference date of the statement of financial position (respective on 31 December 2015 and 30 June 2016) and, with reference to the economic effects and financial flows only, at the start of the period to which the above-mentioned data refer (respectively, 1 January 2015 and 1 January 2016).

Through the industrial and corporate restructuring Transaction, the entire equity investment held by Snam in Italgas Reti as at the Information Document Date, equal to 100% of the share capital of Italgas Reti, will be transferred to Italgas.

Specifically, the Transaction as a whole, which will occur in a unitary and substantially simultaneous manner, includes:

- a) the contribution in kind by Snam to Italgas of a stake equal to 8.23% of the share capital of Italgas Reti (the “Contribution”), in exchange for the allocation to Snam of 108,957,843 newly issued shares of Italgas, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);
- b) the sale by Snam to Italgas of 98,054,833 shares of Italgas Reti, equal to 38.87% of the share capital of Italgas Reti, for a price of €1,503 million, together with the assumption of an equal amount of debt at the Beneficiary Company (Vendor Loan); and
- c) the partial and proportional Demerger of Snam, with the allocation to Italgas of an equity investment equal to the 52.90% held by the Demerged Company in Italgas Reti, and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company’s share capital, as described in Chapter 2, Paragraph 2.1.2 of this Information Document.

The adequacy of the values of the Contribution and Sale indicated in points a) and b) was confirmed by sworn reports of the value of the equity investment held by Snam in Italgas Reti (including the equity investments

held by it in the investee companies) issued by an Independent Expert in order to comply with the requirements of current regulations, and specifically, on the basis of the structure of the Transaction: (i) the provisions of Art. 2343-ter, paragraph 2 of the Civil Code regarding the Contribution; and (ii) the provisions of Art. 2343-bis, paragraph 2 of the Civil Code regarding the purchase of the company from advisors, founders, shareholders and directors.

In addition, the Expert issued a report requested by Snam on a voluntary basis, estimating the actual value of shareholders' equity assigned to the Beneficiary Company following the Demerger as indicated in point c), which confirms the value of shareholders' equity determined for the purposes of the Demerger transaction.

The transactions represent a single structure, in which the result of the single steps is represented by the transfer of the entire stake held by the Demerged Company in Italgas Reti to the Beneficiary Company.

Pursuant to Art. 93 of the TUF, following the loss of control carried out by Snam with respect to Italgas Reti, the latter will be required to repay the loans made to it by the Demerged Company. In addition to the settlement of pre-existing financial transactions, the Beneficiary Company will also be required to liquidate the amount indicated in point b) resulting from the Sale transaction described above. In order to liquidate the amounts referenced, the Italgas Group will have to fund itself independently on the market.

Thus, for the purposes of the pro-forma data presented below, in addition to the impact of the Transaction as described above, due consideration was also given to the impact from the settlement of existing financial transactions with the Demerged Company and the resulting autonomous refinancing of the Group headed by Italgas on the market since they are closely connected with the Transaction.

As a result of the Demerger, the Demerged Company will continue to wholly own the equity investments in the subsidiaries heading the transportation, regasification and natural gas storage businesses as well as the companies carrying out corporate services, which include:

- Snam Rete Gas, the largest Italian operator in the area of natural gas transportation and dispatching in Italy;
- GNL Italia, the owner of the Panigaglia regasification terminal (La Spezia);
- Stogit, the largest natural gas storage operator in Italy, and one of the largest in Europe;
- (i) Snam, which carries out the group's centralised management of legal, corporate and compliance matters; planning; administration; finance and control; HSEQ; ICT; personnel and organisation; regulations; industrial relations and communication; security; general and property services; enterprise risk management; auditing, and (ii) Gasrule Insurance Ltd, a captive insurance company with its registered office in Dublin, which covers the Group's industrial risks.

For a proper interpretation of the information contained in the pro-forma consolidated data, it should be noted that:

- i. since these are representations based on assumptions, if the Demerger were truly implemented on the dates used as a reference for the preparation of the pro-forma data instead of on the actual data, the historical data would not necessarily be the same as the pro-forma data;
- ii. the pro-forma adjustments represent the most significant balance sheet, income statement and financial effects directly connected with the Transaction;
- iii. the pro-forma data are not projected figures and are not intended, in any way, to represent a forecast of the future balance sheet, income statement and financial situation of the Italgas Group;
- iv. in consideration of the various purposes of the pro-forma consolidated data as compared to historical figures, and in consideration of the various methodologies used to calculate the pro-forma adjustments made to Snam Group's consolidated financial statements, the pro-forma consolidated balance sheet, income statement and statement of cash flows must be reviewed and interpreted separately without attempting to find accounting connections between them.

Finally, pursuant to Annex II of Regulation 809/2004/EC, it is believed that all adjustments reflected in the pro-forma consolidated data shall have a permanent effect, with the exception of those indicated at the end of the pro-forma consolidated income statement with comments in the notes.

The Pro-Forma Consolidated Financial Statements of the Italgas Group attached to this document were examined by the External Auditors, who issued their report on 9 September 2016.

Introduction

The accounting principles and evaluation criteria adopted for the preparation of the pro-forma data presented in Paragraphs 4.1 and 4.3 are consistent with those applied, respectively, to the Snam Group consolidated financial statements at 31 December 2015 and to the Snam Group condensed interim consolidated financial statements at 30 June 2016, which should be referred to.

The Transaction is being conducted under the going-concern principle, considered as a Business Combination Involving Entities or Businesses Under Common Control since the companies participating in the business combination (Snam, Italgas and Italgas Reti) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

As the transaction is a “Business combination involving entities or businesses under common control”, it is excluded from the mandatory scope of application of IFRS 3 and IFRIC 17. As a result, the Pro-forma consolidated financial statements of the Italgas Group were prepared applying the principle of continuity of amounts, which generates amounts in the balance sheet that are equal to those stated in Snam Group's consolidated financial statements before the Demerger. Had the IFRS 10, paragraph 25 – Consolidated Financial Statements international accounting standard been applied to the Transaction, Snam's residual stake in Italgas would have been valued at the fair value and therefore recorded at a higher value.

With the exception of the Beneficiary Company, which was established by Snam on 1 June 2016, the Transaction covers entities already included in Snam Group's scope of consolidation at 31 December 2015. Therefore, the scope of consolidation used when preparing Snam Group's consolidated financial statements at 31 December 2015 and at 30 June 2016 are the same as the sum of the scopes of consolidation of the Demerged Company and Beneficiary Company taken into account for the preparation of the Pro-Forma Consolidated Financial Statements of the Italgas Group.

Specifically, the scope of consolidation of the Beneficiary Company is equivalent to the distribution operating sector, reportable in conformity with IFRS 8. Therefore the pro-forma data of the Italgas Group before pro-forma adjustments, as reported in column (D) "Post-Demerger aggregate", corresponds to the data of the above sector (net of eliminations for related inter-company transactions between companies in the same sector).

Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

Following the transactions described in the introduction to this Chapter, by means of the Demerger, Snam will assign a portion of its assets to the Beneficiary Company consisting of an equity investment of 52.90% held by the Demerged Company in Italgas Reti.

In exchange for the assignment of these assets, Italgas will assign its own newly issued shares to the shareholders of Snam in proportion with the shareholding held by each in the share capital of Snam. The allocation will take place based on a ratio of one Italgas share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, on 16 September 2016 Snam engaged an authorised intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

Therefore the reference date used in preparing the Italgas Group Pro-Forma Consolidated Financial Statements for simulating the impact of deconsolidation resulting from the Demerger does not correspond to the date that will actually be used for the preparation of the consolidated financial statements of the Post-Demerger Snam Group and the Italgas Group for the period in which the Demerger is finalised.

The book value in the parent company of assets being transferred will remain unchanged, since any variations that are due to company changes that may occur by the Demerger Effective Date will not result in cash adjustments, but will instead be applied as a benefit or charge to the assets assigned.

The following base assumptions were used to assess the impact of the Transaction on the reference dates for preparing the pro-forma data:

- the pro-forma consolidated financial statements and information were prepared using Snam Group's consolidated financial statements for the year ending 31 December 2015 and the condensed interim consolidated financial statements as at 30 June 2016 as a reference and supplementing them with

pro-forma adjustments aimed at depicting the impact of the Transaction (the Demerger and unitary and simultaneous corporate transactions, *i.e.* the Contribution and Sale);

- the pro-forma adjustments were calculated on the basis of the general rule that transactions related to the balance sheet are assumed to have occurred as at the reference date of the balance sheet, while with regard to the income statement and statement of cash flows, transactions are assumed to have occurred at the beginning of the period to which these statements refer. Thus, in accordance with the rules for preparing pro-forma statements, which are specified in the previously referenced CONSOB Communication DEM/1052803 of 5 July 2001, the impact of transactions carried out and planned, respectively, after 31 December 2015 and 30 June 2016 was not taken into account unless closely related to the aforementioned Transaction.

The Pro-Forma Consolidated Financial Statements of the Italgas Group include:

- the historical data derived, respectively, from the consolidated financial statements of the Snam Group at 31 December 2015 in Paragraph 4.1 and the condensed interim consolidated financial statements of the Snam Group at 30 June 2016 in Paragraph 4.3 (column A);
- the impact of deconsolidating the group of assets remaining with the Demerged Company on Snam Group's consolidated financial statements (column B);
- the impact arising from re-establishing asset and liability transactions and the restoration of positive and negative income components and cash flows related to transactions carried out between companies of the Post-Demerger Snam Group and of the Italgas Group (column C);
- the post-Demerger aggregate, which includes the Snam consolidated figures net of the scope of activities remaining with the Post-Demerger Snam Group and the impact arising from re-establishing asset and liability transactions between Post-Demerger Snam Group companies, *i.e.* the historical data of the natural gas distribution operating segment (column D); these figures correspond, respectively, to those of the consolidated financial statements at 31 December 2015 and the condensed interim consolidated financial statements at 30 June 2016 of the Italgas Reti Group attached to this Information Document.
- pro-forma adjustments applied to post-Demerger aggregate data to reflect the impact of significant transactions related to the Transaction (column E);
- the pro-forma consolidated amounts of the Italgas Group (column F).

4.1 Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 31 December 2015 of the Italgas Group

The Pro-Forma Consolidated Financial Statements of the Italgas Group were prepared on the basis of Snam Group's consolidated financial statements as at 31 December 2015, prepared according to IFRS, and audited by the External Auditors, who issued their report on 5 April 2016. Note that the Post-Demerger Snam Group Pro-Forma Consolidated Financial Statements (and the notes) are consistent with those in the Snam

Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers' Regulation published on 5 July 2016.

Unless otherwise indicated, figures are presented in millions of Euros.

4.1.1 Pro-forma consolidated balance sheet as at 31 December 2015

(Euro million)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
ASSETS						
Current assets						
Cash and cash equivalents	17	(15)		2		2
Trade and other receivables	1,824	(1,261)	12	575		575
Inventories	152	(133)		19		19
Current income tax assets	54	(46)		8	34	42
Other current tax assets	8	(4)		4		4
Other current assets	98	(95)		3	6	9
	2,153	(1,554)	12	611	40	651
Non-current assets						
Property, plant and equipment	15,478	(15,248)		230		230
Compulsory inventories	363	(363)				
Intangible assets	5,275	(803)		4,472		4,472
Investments valued using the equity method	1,372	(1,203)		169		169
Other receivables	78	(78)				
Other non-current assets	137	(132)		5	2	7
	22,703	(17,827)		4,876	2	4,878
Non-current assets held for sale	24	-		24		24
TOTAL ASSETS	24,880	(19,381)	12	5,511	42	5,553

	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Post- Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
(Euro million)						
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	1,351	(1,351)	409	409	1,891	2,300
Short-term portion of long-term financial liabilities	1,378	(1,378)	24	24	(24)	
Trade and other payables	1,746	(1,353)	54	447		447
Current income tax liabilities	1			1		1
Other current tax liabilities	50	(41)		9		9
Other current liabilities	71	(71)				
	4,597	(4,194)	487	890	1,867	2,757
Non-current liabilities						
Long-term financial liabilities	11,067	(11,067)	1,417	1,417	(233)	1,184
Provisions for risks and charges	776	(584)		192		192
Provisions for employee benefits	166	(50)		116		116
Deferred tax liabilities	388	(229)		159		159
Other non-current liabilities	293	(287)		6		6
	12,690	(12,217)	1,417	1,890	(233)	1,657
Liabilities directly associated with assets held for sale	7			7		7
TOTAL LIABILITIES	17,294	(16,411)	1,904	2,787	1,634	4,421
SHAREHOLDERS' EQUITY						
Share capital issued and reserves attributable to shareholders of the parent company	7,585	(2,970)	(1,892)	2,723	(1,592)	1,131
Minority interests	1			1		1
TOTAL SHAREHOLDERS' EQUITY	7,586	(2,970)	(1,892)	2,724	(1,592)	1,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,880	(19,381)	12	5,511	42	5,553

4.1.2 Pro-forma consolidated income statement for the year ended 31 December 2015

(Euro million)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Post- Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated income statement of the Beneficiary Company (F=D+E)(*)
REVENUE						
Core business revenue (**)	3,856	(2,470)	1	1,387	(1)	1,386
Other revenue and income	114	(84)	2	32	(2)	30
	3,970	(2,554)	3	1,419	(3)	1,416
OPERATING COSTS						
Purchases, services and other costs	(782)	406	(73)	(449)	10	(439)
Personnel cost	(389)	145	16	(228)	(14)	(242)
	(1,171)	551	(57)	(677)	(4)	(681)
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(849)	576		(273)		(273)
EBIT	1,950	(1,427)	(54)	469	(7)	462
FINANCIAL INCOME (EXPENSES)						
Financial expenses	(392)	387	(48)	(53)	(91)	(144)
Financial income	12	(7)		5		5
	(380)	380	(48)	(48)	(91)	(139)
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Equity method valuation effect	126	(106)		20		20
Other income (expense) from equity investments	9			9		9
	135	(106)	-	29		29
PRE-TAX PROFIT	1,705	(1,153)	(102)	450	(98)	352
Income tax paid	(467)	357		(110)	27	(83)
Net profit	1,238	(796)	(102)	340	(71)	269
Applicable to:						
- Shareholders of parent company	1,238	(796)	(102)	340	(71)	269
- Minority interests						

(*) The pro-forma net profit of the Italgas Group includes non-recurring costs net of the related tax effect of €89 million, represented by €116 million (€84 million net of the related tax effect) from financial expenses resulting from adjusting outstanding net financial debt attributed to the Italgas Group at 31 December 2015 to market value; and €7 million (€5 million net of the related tax effect) from ancillary costs directly related to the Transaction (see Paragraph 4.1.4 below for further information).

(**) Core business revenue includes revenue from the construction and expansion of distribution infrastructure recorded in accordance with IFRIC 12 and recognised in an amount equal to the related costs incurred (€321 million).

4.1.3 Pro-forma consolidated statement of cash flows for the year ended 31 December 2015

(Euro million)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Post- Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of the Beneficiary Company (F=D+E)
Net profit	1,238	(796)	(102)	340	(71)	269
Adjustments for reconciling net profit with cash flows from operating activities:						
Total amortisation and depreciation	846	(573)		273		273
Impairment losses	3	(3)				
Equity method valuation effect	(126)	106		(20)		(20)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	32	(20)		12		12
Interest income	(8)	7		(1)		(1)
Interest expense	345	(344)	48	49	91	140
Income tax paid	467	(357)		110	(27)	83
Other changes	(9)			(9)		(9)
Changes in working capital:						
- Inventories	55	(59)		(4)		(4)
- Trade receivables	(9)	(36)	(1)	(46)		(46)
- Trade payables	(128)	104	(12)	(36)		(36)
- Provisions for risks and charges	(14)	(6)		(20)		(20)
- Other assets and liabilities	136	(146)	28	18	(2)	16
<i>Working capital cash flow</i>	<i>40</i>	<i>(143)</i>	<i>15</i>	<i>(88)</i>	<i>(2)</i>	<i>(90)</i>
Change in provisions for employee benefits	30	1		31		31
Dividends collected	141	(124)		17		17
Interest collected	5	(4)		1		1
Interest paid	(345)	345	(48)	(48)	25	(23)
Income taxes paid net of reimbursed tax credits	(605)	455		(150)		(150)
Net cash flow from operating activities	2,054	(1,450)	(87)	517	16	533

	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements remaining with the Post- Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of the Beneficiary Company (F=D+E) (*)
(Euro million)						
Net cash flow from operating activities	2,054	(1,450)	(87)	517	16	533
Investments:						
- Property, plant and equipment	(793)	773		(20)		(20)
- Intangible assets	(393)	53		(340)		(340)
- Companies joining the scope of consolidation and business units	(46)			(46)		1,549
- Equity investments	(144)	144			(1,503)	(1,503)
- Financial receivables held for operations	(78)	78				
- Change in payables and receivables relating to investments	18	9		27		27
<i>Cash flow from investments</i>	<i>(1,436)</i>	<i>1,057</i>		<i>(379)</i>	<i>(1,503)</i>	<i>(1,882)</i>
Divestments:						
- Property, plant and equipment	6	(5)	(1)			
- Equity investments	147	(147)				
<i>Cash flow from divestments</i>	<i>153</i>	<i>(152)</i>	<i>(1)</i>			
Net cash flow from investment activities	(1,283)	905	(1)	(379)	(1,503)	(1,882)
Assumption of long-term financial debt	1,167	(1,167)	162	162	760	922
Repayment of long-term financial debt	(1,620)	1,620	(46)	(46)	(1,133)	(1,179)
Increase (decrease) in short-term financial debt	284	(284)	(85)	(85)	1,891	1,806
Financial receivables not held for operations	216	(216)				
	47	(47)	31	31	1,518	1,549
Dividends paid to Snam shareholders	(875)	875	(214)	(214)		(214)
Net cash flow from financing activities	(828)	828	(183)	(183)	1,518	1,335
Net cash flow for the period	(57)	283	(271)	(45)	31	(14)
Cash and cash equivalents at the beginning of the period	74	(27)		47		47
Cash and cash equivalents at the end of the period (**)	17	256	(271)	2	31	33

(*) The pro-forma statement of cash flows includes effects not taken into account when preparing the pro-forma balance sheet totalling €31 million, since the pro-forma adjustments were calculated on the basis of the general rule that transactions relating to the pro-forma balance sheet are assumed to have occurred as at 31 December 2015, while those relating to the pro-forma income statement and statement of cash flows are assumed to have occurred on 1 January 2015.

(**) The amounts recorded under “Cash and cash equivalents at the end of the period” in columns B and C of the statement of cash flows are to be read collectively in order to associate the sum of these amounts to the total of cash attributed to the Post-Demerger Snam Group indicated in column B of the pro-forma balance sheet in Paragraph 4.1.1.

4.1.4 Notes to the Pro-Forma Consolidated Financial Statements of the Italgas Group

Elements of the balance sheet, income statement and statement of cash flows remaining with the Post-Demerger Snam Group (column B)

This column includes the impact of deconsolidating elements of the income statement and statement of cash flows related to the group of operations remaining with Snam (Post-Demerger Snam Group) after the Demerger. These are the remaining assets of post-Demerger Snam consisting of the net assets concerning the natural gas transportation, regasification and storage businesses and corporate services.

Re-establishment of inter-company components (column C)

This column reflects the re-establishment of asset and liability transactions as well as positive and negative income and cash flow components attributable to transactions carried out between companies of the Group whose holding company is the Demerged Company and companies of the Group whose holding company is the post-Demerger Beneficiary Company, considering that, as a result of the Transaction, the reasons for the elimination of these transactions no longer apply since they can no longer be qualified as inter-company transactions. Specifically, these are mainly relationships resulting from the following types of transactions:

- revenue/receivables for the lease of properties and for staff seconded by companies that will form a part of the Italgas Group to companies that will remain a part of the Post-Demerger Snam Group;
- costs/payables for services provided centrally by Snam or by companies under the scope of the Post-Demerger Snam Group to companies that will form part of the Italgas Group, with special reference to the provision of start-up services relating to legal affairs, corporate and compliance; planning, administration, finance and control, HSEQ, ICT, personnel and organisation; regulation; institutional relations and communication; security; general and real estate services; enterprise risk management; auditing; procurement;
- loans provided by Snam to companies that will form a part of the Italgas Group, and inter-company asset/liability balances under the Group's cash pooling agreement between Snam and companies that will form a part of the Italgas Group;
- financial expenses/payables (and/or income/receivables) related to interest income/expenses on cash pooling balances and chargebacks for financial services involving the centralised management of treasury services, and financial expenses/payables related to interest expense on loans provided by Snam to companies that will form a part of the Italgas Group;
- receivables/payables for the Group's tax consolidation and VAT payment schemes.

Pro-forma adjustments (column E)

This column reflects the pro-forma adjustments (column E) applied to the aggregate post-Demerger data of the Italgas Group to indicate the impact of the Transaction described above.

The application of the principle of continuity of amounts resulted in leaving the net assets within the purview of the Italgas Group unchanged.

Adjustments to the consolidated balance sheet

Net financial debt

The pro-forma corrections, given under “Short-term financial liabilities”, “Short-term quotas of long term financial liabilities” and “long-term financial liabilities” positions of the financial position at 31 December 2015, determine an overall increase of the financial debt or equity equal to 1,634 million Euro as a result of the effects (i) from the sale of 38.87% of the stake held by Snam in Italgas Reti (€1,503 million), (ii) from the estimate of the adjustment to the market value of the financial debt at 31 December 2015 attributed to the Italgas Group (116 million Euro); (iii) of the disbursement of the estimated upfront fees related to refinancing of the Italgas Group on the market for 8 million Euro; and (iv) of incurring incidental charges directly attributable to the Transaction for 7 million Euro.

For the purposes of preparing the pro-forma data resulting from the autonomous refinancing of the Italgas Group on the market, approximately two thirds of the projected financial structure consist of a short-term “bridge loan” (Bridge to Bond), and the remainder consists of long-term, variable-rate loans and bank lines.

Current income tax assets

Pro-forma adjustments include the tax effect connected with (i) the adjustment of outstanding financial payables to Snam at 31 December 2015 to market value; and (ii) ancillary costs directly related to the Transaction.

Adjustments to the consolidated income statement

Costs related to the Demerger

These adjustments include ancillary costs directly related to the Transaction for a projected amount of €7 million (€5 million net of the related tax effect).

Pro-forma EBITDA at 31 December 2015, taking account of this correction, amounts to 735 million Euro. Consequently, the EBITDA margin is around 67%.

Provision of services

In relation to services provided between companies of the Italgas Group and the Post-Demerger Snam Group, the pro-forma adjustments included a reclassification of the item “Purchases, services and other costs” to the item “Personnel expense” to take into account the proper nature of estimated costs related to the activities that will be performed directly by the Beneficiary Company; these activities were previously performed and charged back by the Demerged Company. The item “Purchases, services and other costs” includes external costs that will be directly incurred by the Italgas Group, as well as the Demerged Company’s chargeback of costs for the service contract that is still in effect for the performance of services related to certain activities for which a temporary support will be granted by Snam in favour of the Italgas Group.

Net financial expenses

Pro-forma corrections to financial charges cause an increase of the position amounting to 91 million Euro, due to the effects listed below.

In the income statement, if the Demerger had occurred on 1 January 2015, the Italgas Group would have incurred financial expenses directly related to the debt equal €23 million with an improvement compared with the corresponding aggregate post-Demerger figure of €25 million, which were estimated based on a 3-month Euribor variable rate plus a spread that reflects the projected rating of the Beneficiary Company, the composition of projected sources of funding and the related term⁵⁵. These financial expenses also include the portion of upfront fees applicable to the year (€6 million).

The pro-forma adjustments to the financial expenses also include the difference resulting from the adjustment to market value of the financial debt assigned to the Italgas Group outstanding at 31 December 2015, totalling €116 million.

Income taxes

Where applicable, the related tax effects were recognised on the pro-forma adjustments described above; these were calculated using the theoretical tax rate in effect at 31 December 2015 (31.7% including 27.5% for IRES and 4.2% for IRAP).

In addition, for the purposes of the Pro-Forma Consolidated Financial Statements, it was assumed that effective 1 January 2015 the Italian subsidiaries forming a part of the Beneficiary Company would be removed from the Italian tax consolidation of the Snam Group with the concurrent theoretical initiation⁵⁶ of a new national tax consolidation scheme headed by the Beneficiary Company. However, at present it is believed that prepaid tax assets, net of the resulting deferred tax liabilities, after allocating amounts to the Italgas Group that pertain to it, will be recoverable, including in the new structure resulting from the Transaction and under the assumption of a new national tax consolidation scheme, in the same amount at which they were already recorded.

Adjustments to the consolidated statement of cash flows

The pro-forma adjustments to the consolidated cash flow statements include the lower financial expenses resulting from the borrowing cost of the new entity, totalling, net of the relevant upfront fees, €31 million. Note that the above pro-forma adjustments do not include, for the sole purposes of the statement of cash flows, the related tax effects, under the assumption that the related effect on cash flows would show up in the following period.

The main pro-forma adjustments to the statement of cash flows concern total outgoing cash flows of €3,045 million from the Beneficiary Company's settlement to the Demerged Company of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company, net of the amount related to the loans made by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company, and (ii) the amount of financial debt

⁵⁵ These assumptions do not take into account the later projected issuance of listed bonds by the Beneficiary Company.

⁵⁶ In fact, the Beneficiary Company may actually initiate its tax consolidation scheme starting on 1 January 2016.

outstanding at 31 December 2015 attributed to the Italgas Group, as described in the previous paragraph concerning net financial debt. This outlay of cash is offset by new financial payables to credit institutions of the same amount.

Other effects of the Transaction

Following the definition of the organizational structure Italgas S.p.A. and of the companies that will be part of its consolidation perimeter, as well as a result of the definition of the contents of the service contracts to be signed between these companies and Snam, we expect the onset of internal and external costs. These are related to the creation of corporate functions and activities of the Italgas Group, previously carried out by Snam, and to which the companies that will join the Italgas Group contributed only proportionally in function of service contracts. These costs are still being quantified.

4.2 Consolidated pro-forma per-share indicators for the Italgas Group

4.2.1 Historical and pro-forma per-share data for the Beneficiary Company and the group it leads

Below are the historical figures for the Snam Group at 31 December 2015 and pro-forma per-share data for the Italgas Group at 31 December 2015.

At 31 December 2015, Snam's share capital, which is fully paid in, consisted of 3,500,638,294 ordinary shares, and that on the same date the Company held 1,127,250 own shares.

The share capital of Italgas is represented by 809,135,502 shares, comprising shares issued in the context of (i) the incorporation of the company (No. 50,000), (ii) the Contribution (No. 108,957,843), and (iii) the Demerger, on the basis of a ratio of one share of Italgas for five shares of Snam (No. 700,127,659).

		Consolidated financial statements of the Snam Group at 31 December 2015 (historical data)	Pro-forma data of the Group Italgas at 31 December 2015
Ordinary shares issued at end of period	(million)	3,500.6	809.1
Weighted average of shares outstanding during the period	(million)	3,499.5	809.1
Net profit per share	(Euro)	0.354	0.332
Shareholders' equity per share attributable to shareholders of the parent company	(Euro)	2.17	1.40
Dividend per share	(Euro per share)	0.25	-
Net cash flow per share	(Euro)	(0.02)	(0.02)

4.2.2 Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data

Net profit per share

This indicator was calculated by reporting the net profit attributable to the parent company's shareholders at the average number of the shares issued and outstanding.

The effect resulting from the exclusion of the operating profit attributable to Post-Demerger Snam Group was partially offset by the lower number of shares outstanding of the Beneficiary Company compared with the historical figure of the Demerged Company, resulting in a reduction in profit per share compared to the historical level for the Snam Group overall.

Shareholders' equity per share attributable to shareholders of the parent company

This indicator is structured as the ratio of shareholders' equity attributable to the parent company's shareholders to the average number of shares outstanding. The indicator dropped in comparison to the historical figure for the Snam Group, due to the absence of the portion of shareholders' equity related to the Group whose holding company is the Demerged Company. Shareholders' equity also decreased mainly as a result of Italgas' assumption of debt in the amount of €1,503 million in the context of the Sale (Vendor Loan). These effects were partially offset by the lower number of shares outstanding of the Beneficiary Company compared with the historical figure for the Demerged Company.

Net cash flow per share

This indicator was determined as the ratio of net cash flow for the period to the average number of shares outstanding. The absence of cash flow attributed to the operations remaining with the Post-Demerger Snam Group was offset by the lower number of shares outstanding of the Beneficiary Company resulting in a similar indicator value compared with the historical figure for the Demerged Company.

4.3 Consolidated statement of financial position, income statement and statement of cash flows at 30 June 2016 of the Italgas Group

The Pro-Forma Consolidated Financial Statements of the Italgas Group were prepared on the basis of Snam Group's condensed interim consolidated financial statements as at 30 June 2016, prepared according to IFRS, and subject to a limited audit by the External Auditors, who issued their report on 29 July 2016.

Unless otherwise indicated, figures are presented in millions of Euros.

4.3.1 Pro-forma consolidated balance sheet as at 30 June 2016

(Euro million)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
ASSETS						
Current assets						
Cash and cash equivalents	21	(20)		1		1
Trade and other receivables	1,477	(1,015)	11	473		473
Inventories	175	(151)		24		24
Current income tax assets	30	(23)		7	34	41
Other current tax assets	8	(4)		4		4
Other current assets	70	(65)	1	6	6	12
	1,781	(1,278)	12	515	40	555
Non-current assets						
Property, plant and equipment	15,677	(15,451)		226		226
Compulsory inventories	363	(363)				0
Intangible assets	5,265	(800)		4,465		4,465
Investments valued using the equity method	1,337	(1,172)		165		165
Other receivables	147	(147)				0
Other non-current assets	159	(154)		5	2	7
	22,948	(18,087)		4,861	2	4,863
Non-current assets held for sale	24			24		24
TOTAL ASSETS	24,753	(19,365)	12	5,400	42	5,442

(Euro million)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of the Beneficiary Company (F=D+E)
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	1,696	(1,696)	308	308	1,992	2,300
Short-term portion of long-term financial liabilities	2,168	(2,168)	136	136	(136)	
Trade and other payables	1,377	(1,065)	28	340		340
Current income tax liabilities	23	(21)		2	(2)	
Other current tax liabilities	49	(41)		8		8
Other current liabilities	52	(52)				
	5,365	(5,043)	472	794	1,854	2,648
Non-current liabilities						
Long-term financial liabilities	10,334	(10,334)	1,298	1,298	(214)	1,084
Provisions for risks and charges	946	(741)		205		205
Provisions for employee benefits	165	(49)		116		116
Deferred tax liabilities	352	(214)		138		138
Other non-current liabilities	335	(330)		5		5
	12,132	(11,668)	1,298	1,762	(214)	1,548
Liabilities directly associated with assets held for sale	6			6		6
TOTAL LIABILITIES	17,503	(16,711)	1,770	2,562	1,640	4,202
SHAREHOLDERS' EQUITY						
Share capital issued and reserves attributable to shareholders of the parent company	7,249	(2,654)	(1,758)	2,837	(1,598)	1,239
Minority interests	1			1		1
TOTAL SHAREHOLDERS' EQUITY	7,250	(2,654)	(1,758)	2,838	(1,598)	1,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,753	(19,365)	12	5,400	42	5,442

4.3.2 Pro-forma consolidated income statement for the year ended 30 June 2016

	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated income statement of the Beneficiary Company (F=D+E)(*)
(Euro million)						
REVENUE						
Core business revenue (**)	1,827	(1,188)		639		639
Other revenue and income	34	(21)	1	14	(1)	13
	1,861	(1,209)	1	653	(1)	652
OPERATING COSTS						
Purchases, services and other costs	(362)	161	(34)	(235)	1	(234)
Personnel cost	(185)	80	7	(98)	(7)	(105)
	(547)	241	(27)	(333)	(6)	(339)
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(447)	305		(142)		(142)
EBIT	867	(663)	(26)	178	(7)	171
FINANCIAL INCOME (EXPENSES)						
Financial expenses	(178)	171	(22)	(29)	(114)	(143)
Financial income	4	(4)				
Derivatives	(2)					
	(176)	167	(22)	(29)	(114)	(143)
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Equity method valuation effect investments	64	(55)		9		9
	64	(55)		9		9
PRE-TAX PROFIT	755	(551)	(48)	158	(121)	37
Income tax paid	(229)	185		(44)	33	(11)
Net profit	526	(366)	(48)	114	(88)	26
Applicable to:						
- Shareholders of parent company	526	(366)	(48)	114	(88)	26
- Minority interests						

(*) The pro-forma net profit of the Italgas Group includes non-recurring costs net of the related tax effect of €95 million, represented by €124 million (€90 million net of the related tax effect) from financial expenses resulting from adjusting outstanding net financial debt attributed to the Italgas Group at 30 June 2016 to market value; and €7 million (€5 million net of the related tax effect) from ancillary costs directly related to the Transaction (see Paragraph 4.3.4 below for further information).

(**) Core business revenue includes revenue from the construction and expansion of distribution infrastructure recorded in accordance with IFRIC 12 and recognised in an amount equal to the related costs incurred (€137 million).

4.3.3 Pro-forma consolidated statement of cash flows for the year ended 30 June 2016

	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of the Beneficiary Company (F=D+E)
(Euro million)						
Net profit	526	(366)	(48)	114	(88)	26
Adjustments for reconciling net profit with cash flows from operating activities:						
Total amortisation and depreciation	447	(305)		142		142
Equity method valuation effect	(64)	55		(9)		(9)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	15	(6)		9		9
Interest income	(3)	3				
Interest expense	159	(159)	22	22	114	136
Income tax paid	229	(185)		44	(33)	11
Changes in working capital:						
- Inventories	8	(13)		(5)		(5)
- Trade receivables	432	(250)	1	183		183
- Trade payables	(86)	109	(15)	8		8
- Provisions for risks and charges	18	(5)		13		13
- Other assets and liabilities	(205)	76	(1)	(130)	(5)	(135)
<i>Working capital cash flow</i>	<i>167</i>	<i>(83)</i>	<i>(15)</i>	<i>69</i>	<i>(5)</i>	<i>64</i>
Change in provisions for employee benefits	(1)	1				
Dividends collected	102	(102)				
Interest collected	1	(1)				
Interest paid	(159)	159	(22)	(22)	10	(12)
Income taxes paid net of reimbursed tax credits	(219)	153	(11)	(77)		(77)
Net cash flow from operating activities	1,200	(834)	(74)	292	(2)	290

(*) The pro-forma statement of cash flows includes effects not taken into account when preparing the pro-forma balance sheet totalling €13 million, since the pro-forma adjustments were calculated on the basis of the general rule that transactions relating to the pro-forma balance sheet are assumed to have occurred as at 30 June 2016, while those relating to the pro-forma income statement and statement of cash flows are assumed to have occurred on 1 January 2015.

(**) The amounts recorded under “Cash and cash equivalents at the end of the period” in columns B and C of the statement of cash flows are to be read collectively in order to associate the sum of these amounts to the total of cash attributed to the Post-Demerger Snam Group indicated in column B of the pro-forma balance sheet in Paragraph 4.3.1.

(Euro million)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements remaining with the Post-Demerger Snam Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of the Beneficiary Company (F=D+E) (*)
Net cash flow from operating activities	1,200	(834)	(74)	292	(2)	290
Investments:						
- Property, plant and equipment	(343)	340		(3)		(3)
- Intangible assets	(156)	19		(137)		(137)
Companies in the scope of consolidation and business branches					(1,503)	(1,503)
- Equity investments	(26)	26				
- Financial receivables held for operations	(69)	69				
- Change in payables and receivables relating to investments	(100)	55		(45)		(45)
<i>Cash flow from investments</i>	<i>(694)</i>	<i>509</i>		<i>(185)</i>	<i>(1,503)</i>	<i>(1,688)</i>
Divestments:						
- Property, plant and equipment						
- Equity investments	2	(2)				
<i>Cash flow from divestments</i>	<i>2</i>	<i>(2)</i>				
Net cash flow from investment activities	(692)	507		(185)	(1,503)	(1,688)
Assumption of long-term financial debt	370	(370)			660	660
Repayment of long-term financial debt	(338)	338	(7)	(7)	(1,134)	(1,141)
Increase (decrease) in short-term financial debt	339	(339)	(101)	(101)	1,992	1,891
	371	(371)	(108)	(108)	1,518	1,410
Dividends paid to Snam shareholders	(875)	875				
Net cash flow from financing activities	(504)	504	(108)	(108)	1,518	1,410
Net cash flow for the period	4	177	(182)	(1)	13	12
Cash and cash equivalents at the beginning of the period	17	(15)		2		2
Cash and cash equivalents at the end of the period (**)	21	162	(182)	1	13	14

4.3.4 Notes to the pro-forma adjustments of the Pro-Forma Consolidated Financial Statements of the Italgas Group at 30 June 2016

Elements of the balance sheet, income statement and statement of cash flows remaining with the Post-Demerger Snam Group (column B)

This column includes the impact of deconsolidating elements of the income statement and statement of cash flows related to the group of operations remaining with Snam (Post-Demerger Snam Group) after the Demerger. These are the remaining assets of post-Demerger Snam consisting of the net assets concerning the natural gas transportation, regasification and storage businesses and corporate services.

Re-establishment of inter-company components (column C)

This column reflects the re-establishment of asset and liability transactions as well as positive and negative income and cash flow components attributable to transactions carried out between companies of the Group whose holding company is the Demerged Company and companies of the Group whose holding company is the post-Demerger Beneficiary Company, considering that, as a result of the Transaction, the reasons for the elimination of these transactions no longer apply since they can no longer be qualified as inter-company transactions. Specifically, these are mainly relationships resulting from the following types of transactions:

- revenue/receivables for the lease of properties and for staff seconded by companies that will form a part of the Italgas Group to companies that will remain a part of the Post-Demerger Snam Group;
- costs/payables for services provided centrally by Snam or by companies under the scope of the Post-Demerger Snam Group to companies that will form part of the Italgas Group, with special reference to the provision of start-up services relating to legal affairs, corporate and compliance; planning, administration, finance and control, HSEQ, ICT, personnel and organisation; regulation; institutional relations and communication; security; general and real estate services; enterprise risk management; auditing; procurement;
- loans provided by Snam to companies that will form a part of the Italgas Group, and inter-company asset/liability balances under the Group's cash pooling agreement between Snam and companies that will form a part of the Italgas Group;
- financial expenses/payables (and/or income/receivables) related to interest income/expenses on cash pooling balances and chargebacks for financial services involving the centralised management of treasury services, and financial expenses/payables related to interest expense on loans provided by Snam to companies that will form a part of the Italgas Group;
- receivables/payables for the Group's tax consolidation and VAT payment schemes.

Pro-forma adjustments (column E)

This column reflects the pro-forma adjustments (column E) applied to the aggregate post-Demerger data of the Italgas Group to indicate the impact of the Transaction described above.

The application of the principle of continuity of amounts resulted in leaving the net assets within the purview of the Italgas Group unchanged.

Adjustments to the consolidated balance sheet

Net financial debt

The pro-forma adjustments reported under the items “Short-term financial liabilities”, “Short-term portion of long-term financial liabilities” and “Long-term financial liabilities” of the Statement of Financial Position at 30 June 2016 in total create an increase in the net financial debt equal to €1,642 million as a result of the effects (i) from the sale of 38.87% of the stake held by Snam in Italgas Reti (€1,503 million), (ii) from the estimate of the adjustment to the market value of the financial debt at 30 June 2016 attributed to the Italgas Group (124 million Euro); (iii) of the disbursement of the estimated upfront fees related to refinancing of the Italgas Group on the market for 8 million Euro; and (iv) of incurring incidental charges directly attributable to the Transaction for 7 million Euro.

For the purposes of preparing the pro-forma data resulting from the autonomous refinancing of the Italgas Group on the market, approximately two thirds of the projected financial structure consist of a short-term “bridge loan” (Bridge to Bond), and the remainder consists of long-term, variable-rate loans and bank lines.

Current income tax assets

Pro-forma adjustments include the tax effect connected with (i) the adjustment of outstanding financial payables to Snam at 30 June 2016 to market value; and (ii) ancillary costs directly related to the Transaction.

Adjustments to the consolidated income statement

Costs related to the Demerger

These adjustments include ancillary costs directly related to the Transaction for a projected amount of €7 million (€5 million net of the related tax effect).

Provision of services

In relation to services provided between companies of the Italgas Group and the Post-Demerger Snam Group, the pro-forma adjustments included a reclassification of the item “Purchases, services and other costs” to the item “Personnel expense” to take into account the proper nature of estimated costs related to the activities that will be performed directly by the Beneficiary Company; these activities were previously performed and charged back by the Demerged Company. The item “Purchases, services and other costs” includes external costs that will be directly incurred by the Italgas Group, as well as the Demerged Company’s chargeback of costs for the service contract that is still in effect for the performance of services related to certain activities for which a temporary support will be granted by Snam in favour of the Italgas Group.

Net financial expenses

Pro-forma corrections of financial charges cause an increase of the position amounting in total to 114 million Euro, due to the effects listed below.

In the income statement, if the Demerger had occurred on 1 January 2016, the Italgas Group would have incurred financial expenses directly related to the debt of €12 million with an improvement compared with the corresponding aggregate post-Demerger figure of €10 million, which were estimated based on a 3-month Euribor variable rate plus a spread that reflects the projected rating of the Beneficiary Company, the composition of projected sources of funding and the related term⁵⁷. These financial expenses also include the portion of upfront fees applicable to the period of €3 million.

The pro-forma adjustments to the financial expenses also include the difference resulting from the adjustment to market value of the financial debt assigned to the Italgas Group outstanding at 30 June 2016, totalling €124 million.

Income taxes

Where applicable, the related tax effects were recognised on the pro-forma adjustments described above; these were calculated using the theoretical tax rate in effect at 30 June 2016 (31.7% including 27.5% for IRES and 4.2% for IRAP).

In addition, for the purposes of the Pro-Forma Consolidated Financial Statements of the Italgas Group, it was assumed that effective 1 January 2016 the Italian subsidiaries forming a part of the Beneficiary Company would be removed from the Italian tax consolidation of the Snam Group with the concurrent theoretical initiation of a new national tax consolidation scheme headed by the Beneficiary Company. However, at present it is believed that prepaid tax assets, net of the resulting deferred tax liabilities, after allocating amounts to the Italgas Group that pertain to it, will be recoverable, including in the new structure resulting from the Transaction and under the assumption of a new national tax consolidation scheme, in the same amount at which they were already recorded.

Adjustments to the consolidated statement of cash flows

The pro-forma adjustments to the consolidated cash flow statements include the lower financial expenses resulting from the borrowing cost of the new entity, totalling, net of the relevant upfront fees, €13 million. Note that the above pro-forma adjustments do not include, for the sole purposes of the statement of cash flows, the related tax effects, under the assumption that the related effect on cash flows would show up in the following period.

The main pro-forma adjustments to the statement of cash flows concern total outgoing cash flows of €2,945 million from the Beneficiary Company's settlement to the Demerged Company of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company, net of the amount related to the loans made by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company, and (ii) the amount of financial debt outstanding at 30 June 2016 attributed to the Italgas Group, as described in the previous paragraph concerning net financial debt. This outlay of cash is offset by new financial payables to credit institutions of the same amount.

⁵⁷ These assumptions do not take into account the later projected issuance of listed bonds by the Beneficiary Company.

Other effects of the Transaction

Following the definition of the organizational structure of Italgas and of the companies that will be part of its consolidation perimeter, as well as a result of the definition of the contents of the service contracts to be signed between these companies and Snam, we expect additional internal and external costs. These are related to the creation of corporate functions and activities of the Italgas Group, previously carried out by Snam, and to which the companies that will join the Italgas Group contributed exclusively in proportion as a function of service contracts. These costs are still being quantified.

4.4 Consolidated pro-forma per-share indicators for the Italgas Group at 30 June 2016

4.4.1 Historical and pro-forma per-share data for the Beneficiary Company and the group it leads

Below are the historical figures for the Snam Group at 30 June 2016 and pro-forma per-share data for the Italgas Group at 30 June 2016.

Note that at 31 December 2015, Snam’s share capital, which is fully paid in, consisted of 3,500,638,294 ordinary shares, and that on the same date the Company held 1,127,250 own shares.

The share capital of Italgas is represented by 809,135,502 shares, comprising shares issued in the context of (i) the incorporation of the company (No. 50,000), (ii) the Contribution (No. 108,957,843), and (iii) the Demerger, on the basis of a ratio of one share of Italgas for five shares of Snam (No. 700,127,659).

		Consolidated financial statements of the Snam Group at 30 June 2016 (historical data)	Pro-forma data of the Group Italgas at 30 June 2016
Ordinary shares issued at end of period	(million)	3,500.6	809.1
Weighted average of shares outstanding during the period	(million)	3,499.5	809.1
Net profit per share	(Euro)	0.150	0.032
Shareholders’ equity per share attributable to shareholders of the parent company	(Euro)	2.07	1.53
Net cash flow per share	(Euro)	0.00114	0.015

4.4.2 Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data

Net profit per share

This indicator was calculated by reporting the net profit attributable to the parent company’s shareholders at the average number of the shares issued and outstanding. The effect resulting from the exclusion of the operating profit attributable to Post-Demerger Snam Group was partially offset by the lower number of shares outstanding of the Beneficiary Company compared with the historical figure of the Demerged Company, resulting in a reduction in profit per share compared to the historical level for the Snam Group overall.

Shareholders' equity per share attributable to shareholders of the parent company

This indicator is structured as the ratio of shareholders' equity attributable to the parent company's shareholders to the average number of shares outstanding. The indicator dropped in comparison to the historical figure for the Snam Group, due to the absence of the portion of shareholders' equity related to the Group whose holding company is the Demerged Company. Shareholders' equity also decreased mainly as a result of Italgas' assumption of debt in the amount of €1,503 million in the context of the Sale (Vendor Loan). These effects were partially offset by the lower number of shares outstanding of the Beneficiary Company compared with the historical figure for the Demerged Company.

Net cash flow per share

This indicator was determined as the ratio of net cash flow for the period to the average number of shares outstanding. The absence of cash flow attributed to the operations remaining with the Post-Demerger Snam Group was offset by the lower number of shares outstanding of the Beneficiary Company.

4.5 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Italgas Group

4.5.1 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Italgas Group at 31 December 2015

The External Auditors' report concerning the examination of the Pro-Forma Consolidated Financial Statements of the Italgas Group at 31 December 2015 issued on 9 September 2016 shown below.

Note that, as previously indicated in Paragraph 6.1, the Italgas Group Pro-Forma Consolidated Financial Statements at 31 December 2015 (and the notes) are consistent with those in the Snam Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers' Regulation published on 5 July 2016.



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Independent auditors' report on the examination of the
pro forma consolidated financial statements of ITG Holding S.p.A.
(company that will change its corporate name into Italgas S.p.A.)

(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with the listing of Italian companies that, when unaudited pro forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro forma financial information was issued by the independent auditors of ITG Holding S.p.A., in connection with the preparation of the Information Document by ITG Holding S.p.A. and Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the listing of ordinary shares of ITG Holding S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro forma financial information of ITG Holding S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
ITG Holding S.p.A.

1. We examined the pro forma consolidated balance sheet, income statement and cash flow statement (the "Pro Forma Consolidated Financial Statements of the ITG Holding Group") accompanied by the explanatory notes of ITG Holding S.p.A., company that will change its corporate name into Italgas S.p.A., ("ITG Holding" and, together with Italgas S.p.A., company that will change its corporate name into Italgas Reti S.p.A., and its subsidiaries, the "ITG Holding Group") as of and for the year ended 31 December 2015.

Such Pro Forma Consolidated Financial Statements of the ITG Holding Group derive from the historical financial information related to the consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro forma adjustments applied to such financial information and examined by us.

The consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015 have been audited by us and we have issued our auditors' report on 5 April 2016.

The ITG Holding Consolidated Pro Forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the proportional partial demerger of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") in favour of ITG Holding and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in the share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in the share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG

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Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

2. The Pro Forma Consolidated Financial Statements of the ITG Holding Group, accompanied by the explanatory notes, have been prepared pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

The scope of the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated statement of the financial position of the ITG Holding Group, as if such Transaction virtually occurred on 31 December 2015 and, with respect to the economic and financial effects only, at the beginning of the year 2015. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

The Pro Forma Consolidated Financial Statements of the ITG Holding Group are the responsibility of ITG Holding's Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.
4. In our opinion, the assumptions adopted by ITG Holding for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group as of and for the year ended 31 December 2015, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are reasonable and the methodology utilized for the preparation of the above mentioned financial information has been properly applied for the information purpose described above. Finally, we believe that the valuation criteria and the accounting principles have been properly applied for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group.

Turin, 9 September 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

4.5.2 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 30 June 2016

The External Auditors' report concerning the examination of the Pro-Forma Consolidated Financial Statements of the Italgas Group at 30 June 2016 issued on 9 September 2016 shown below.



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Independent auditors' report on the examination of the
pro forma consolidated financial statements of ITG Holding S.p.A.
(company that will change its corporate name into Italgas S.p.A.)

(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with the listing of Italian companies that, when unaudited pro forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro forma financial information was issued by the independent auditors of ITG Holding S.p.A., in connection with the preparation of the Information Document by ITG Holding S.p.A. and Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the listing of ordinary shares of ITG Holding S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro forma financial information of ITG Holding S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
ITG Holding S.p.A.

1. We examined the pro forma consolidated balance sheet, income statement and cash flow statement (the "Pro Forma Consolidated Financial Statements of the ITG Holding Group") accompanied by the explanatory notes of ITG Holding S.p.A., company that will change its corporate name into Italgas S.p.A., ("ITG Holding" and, together with Italgas S.p.A., company that will change its corporate name into Italgas Reti S.p.A., and its subsidiaries, the "ITG Holding Group") as of and for the six months ended 30 June 2016.

Such Pro Forma Consolidated Financial Statements of the ITG Holding Group derive from the historical financial information related to the condensed consolidated financial statements of the Snam Group as of and for the six months ended 30 June 2016, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro forma adjustments applied to such financial information and examined by us.

The condensed consolidated financial statements of the Snam Group as of and for the six month ended 30 June 2016 have been reviewed by us and we have issued our review report on 29 July 2016.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we did not express an audit opinion on the condensed interim consolidated financial statements at 30 June 2016 of the Snam Group.

EY S.p.A.
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The ITG Holding Consolidated Pro Forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the proportional partial demerger of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") in favour of ITG Holding and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in the share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in the share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

2. The Pro Forma Consolidated Financial Statements of the ITG Holding Group, accompanied by the explanatory notes, have been prepared pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

The scope of the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated statement of the financial position of the ITG Holding Group, as if such Transaction virtually occurred on 30 June 2016 and, with respect to the economic and financial effects only, at the beginning of the year 2016. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

The Pro Forma Consolidated Financial Statements of the ITG Holding Group are the responsibility of ITG Holding's Directors. Our responsibility is to express a conclusion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express a conclusion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.
4. Based on the work performed, nothing has come to our attention which causes us to believe that the assumptions adopted by ITG Holding for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group as of and for the six months ended 30 June 2016, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are not reasonable, the methodology utilized for the preparation of the above mentioned financial information has not been properly applied for the information purpose described above and that, finally, the valuation criteria and the accounting principles applied for the preparation of the Pro Forma Consolidated Financial Statements of the ITG Holding Group are not adequate.

Turin, 9 September 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

4.6 Italgas Reti Group related-party transactions

At the Document Date, the Italgas Reti Group maintains, and during the years 2013, 2014 and 2015 and the first half of 2016, maintained relations of a commercial and financial nature with related-parties.

Related-party transactions involve the exchange of goods and the provision of regulated services in the gas sector. Transactions between the Italgas Reti Group and related parties are part of ordinary business operations and are settled under market conditions, *i.e.* the conditions that would be applied between two independent parties, with the exception of what is specified in Paragraph 4.6.1 below with regard to the provision of services conducted and managed centrally by Snam and later recharged to the Italgas Reti Group Companies. All the transactions carried out were in the interest of the companies of the Italgas Reti Group.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the years 2013, 2014 and 2015 and the first half of 2016. The nature of the most significant transactions is also stated.

The data below refers to historical figures, respectively, at 31 December 2013, 2014 and 2015 and at 30 June 2016 and do not take into account the pro-forma adjustments referred to in the previous paragraphs.

4.6.1 Information on related-party transactions with regard to 31 December 2013, 2014 and 2015

Commercial and other transactions

Commercial and other transactions can be broken down in the following tables:

(millions of Euro)	31.12.2013			2013				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Goods	Services	Other	Services	Other
Companies under joint control and associates								
- ACAM Gas S.p.A.		1						
- AES Torino S.p.A.		1						1
		4						
- Toscana Energia S.p.A.		1	1					2
- Umbria Distribuzione Gas S.p.A.								1
Snam and subsidiaries	6	22		6	51	(17)	1	3
Companies owned or controlled by the State								
- Anas Group						1		
- Enel group	20	1						74
- Eni group	248	23		6	5	10	799	12
Other companies						1	1	1
General Total	281	47		12	57	(5)	879	15

(millions of Euro)	31.12.2014			2014				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Goods	Services	Other	Services	Other
Companies under joint control and associates								
- ACAM Gas S.p.A.			46					
- SETEAP S.p.A.	5						1	
- Toscana Energia S.p.A.	1							
- Umbria Distribuzione Gas S.p.A.	1						2	
							1	
Snam and subsidiaries	20	46		3	62	(20)		3
Companies owned or controlled by the State								
- Anas Group		1						
- Enel group	13					1	59	
- Eni group	130	32		9	6		591	10
Other companies						1		
General Total	170	79	46	12	68	(18)	654	13

(Euro million)	31.12.2015			2015				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Goods	Services	Other	Services	Other
Companies under joint control and associates								
- Toscana Energia S.p.A.	3						2	
- Umbria Distribuzione Gas S.p.A.	1						1	
Snam and subsidiaries	12	54		7	65	(15)		3
Companies owned or controlled by the State								
- Enel group	16	1					90	1
- Eni group	132	34		7	5	5	703	9
Other companies		1				1		
Total	164	90		14	70	(9)	796	13

(a) Inclusive of costs for goods and services to be used in investment activities.

(b) Before tariff components which are offset in costs.

Companies under joint control and associates

Relations with companies under joint control and associates mainly involve the provision of I.T. services and the loan of personnel to AES Torino (for the year 2013).

Snam and subsidiaries

The main passive relations with the companies that will become part of the Post-Demerger Snam Group basically involve the provision of services carried out and managed centrally by Snam relating to the following

organisational areas: ICT, personnel and organisation, planning, administration, finance and control, general services, property and security services, legal and corporate affairs and compliance, health, safety and environment, regulation, external relations and communication, internal audit and Enterprise Risk Management (ERM). The services provided are regulated based on tariffs defined according to costs incurred on a full cost logic. The services currently provided to Italgas Reti by Snam and Snam Rete Gas will stop on 31 October 2016. In addition, Snam's provision of services to the Italgas Group relating to some activities for which a temporary support will be granted by Snam in favour of the Italgas Group.

The main active commercial relations involve recharging Snam for the costs relating to personnel in service at them, in roles at companies that are part of the Italgas Reti Group, as well as rental agreements.

Companies owned or controlled by the State

Transactions with state-owned or -controlled companies relate mainly to the Eni Group and the Enel Group, and essentially concern natural gas distribution services, which are settled on the basis of tariffs set by the Authority. The most significant passive commercial transactions with the Eni Group include: (i) the supply of electricity and methane gas used for carrying out activities regulated by contracts agreed under normal market conditions; (ii) the provision of property management services and others of a general nature by Eniservizi. These relations are regulated via a service agreement based on costs incurred.

Financial transactions

Financial transactions can be broken down in the following table as follows:

		31.12.2013	2013
(Euro million)	Receivables	Payables	Expense
	Snam	1,664	461
		31.12.2014	2014
(Euro million)	Receivables	Payables	Expense
	Snam	1,819	56
		31.12.2015	2015
(Euro million)	Receivables	Payables	Expense
	Snam	1,850	48

Financial relations are undertaken exclusively with Snam and involve hedging the financial requirements of the Italgas Reti Group. These transactions are governed by contracts entered into under normal market conditions.

Note that pursuant to Art. 93 of the TUF, following the loss of control carried out by Snam with respect to Italgas Reti, the latter will be required to repay the loans made to it by the Demerged Company. After the Transaction takes effect, the financial relations outlined above will therefore lessen, through the settlement of existing financial relations between the Demerged Company and the companies belonging to the Italgas Group.

In order to liquidate the amounts referenced, the Italgas Group will have to fund itself independently on the market.

4.6.2 Information on related-party transactions with regard to 30 June 2016

Commercial and other transactions

Commercial and other transactions can be broken down as follows:

(Euro million)	30.06.2016			First half 2016				
	Receivables and other assets	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Goods	Services	Other	Services	Other
Companies under joint control and associates								
- Toscana Energia S.p.A.	15						1	
- Umbria Distribuzione Gas S.p.A.	1							
Snam and subsidiaries	12	28		3	31	(6)		1
Companies owned or controlled by the State								
- Enel group	12	2					69	
- Eni group	95	35		4	2	1	451	5
Other companies								
Total	135	65		7	33	(5)	521	6

(a) Inclusive of costs for goods and services to be used in investment activities.

(b) Before tariff components which are offset in costs.

Companies under joint control and associates

Relations with companies under joint control and associates mainly involve the provision of I.T. services.

Snam and subsidiaries

The main passive relations with the companies that will become part of the Post-Demerger Snam Group mainly involve the provision of services carried out and managed centrally by Snam relating to the following organisational areas: ICT, personnel and organisation, planning, administration, finance and control, general services, property and security services, legal and corporate affairs and compliance, health, safety and environment, regulation, external relations and communication, internal audit and Enterprise Risk Management (ERM). The services provided are regulated based on tariffs defined according to costs incurred on a full cost logic. The services currently provided to Italgas Reti by Snam and Snam Rete Gas will stop on 31 October 2016. In addition, Snam's provision of services to the Italgas Group relating to some activities for which a temporary support will be granted by Snam in favour of the Italgas Group.

The main active commercial relations involve recharging Snam for the costs relating to personnel in service at them, in roles at companies that are part of the Italgas Reti Group, as well as rental agreements.

Companies owned or controlled by the State

Transactions with state-owned or -controlled companies relate mainly to the Eni Group and the Enel Group, and essentially concern natural gas distribution services, which are settled on the basis of tariffs set by the Authority. The most significant passive commercial transactions with the Eni Group include: (i) the supply of electricity and methane gas used for carrying out activities regulated by contracts agreed under normal market conditions; and (ii) the provision of property management services and others of a general nature by Eniservizi. These relations are regulated via a service agreement based on costs incurred.

Financial transactions

Financial transactions can be broken down as follows:

(Euro million)	30.06.2016		First half 2016
	Receivables	Payables	Expense
Snam		1,742	22

Financial relations are undertaken exclusively with Snam and involve hedging the financial requirements of the Italgas Reti Group. These transactions are governed by contracts entered into under normal market conditions.

5. OUTLOOK FOR THE ISSUER AND THE GROUP IT LEADS

5.1 Information on the business performance of Italgas and the Group it leads since the end of 2015

The Beneficiary Company was established on 1 June 2016 specifically to implement the Demerger. Therefore, since its establishment it has not performed any activities other than those aimed at implementing the Demerger.

The Italgas Reti Group, whose holding company is the Beneficiary Company, largely coincides with Snam Group's Distribution segment at the Information Document Date. As announced in Snam's 27 July 2016 press release regarding the results for the first half of 2016 (see for details), and in consideration of the fact that the results of the Snam Group for the first nine months of 2016 will be discussed during the meeting of the Board of Directors of next November 14, with communication of those results to the market on the next day, the financial results indicating to what extent the Distribution segment contributed to the results of the Snam Group during the period in the first half and in the first nine months of 2016, respectively, are set out below.⁵⁸

On 17 March 2016, Snam informed the market of the opportunity to conduct a feasibility study in relation to a potential industrial and corporate reorganisation to separate Italgas Reti from Snam through the partial and proportional Demerger of Snam relating in total on in part to the stake in Italgas Reti, with the aim to submit the outcome of the feasibility study to the approval of the Board of Directors and, therefore, to approve and present the Strategic Plan to the institutional investors and the financial analysts by July 2016.

On 31 May 2016 Snam informed the market that the Board of Directors convened to approved the 2016-2020 Strategic Plan took place on 28 June 2016 and that the Strategy Presentation occurred on 29 June 2016.

Lastly, on 29 June 2016 Snam announced to the market (i) the approval of the separation of Italgas Reti from Snam to be realised through a unitary and simultaneous transaction which includes, among other things, the partial and proportional demerger and the consequent listing on the Mercato Telematico Azionario (MTA) of Milan of a new Beneficiary Company of the Demerger with the role of a holding company for the stake in Italgas Reti, (ii) the approval of 2016-2020 Strategic Plan and (iii) that the Board of Directors has put forward Paolo Gallo as the candidate for CEO of the Beneficiary Company.

Reclassified income statement - Distribution segment

(Euro million)	First half		Change	% change
	2015	2016		
Regulated revenue (*)	543	516	(27)	(5.0)
Operating costs (*)	(163)	(196)	(33)	20.2
EBITDA	380	320	(60)	(15.8)
Amortisation, depreciation and impairment	(132)	(142)	(10)	7.6
EBIT	248	178	(70)	(28.2)

(*) Net of revenue from the construction and upgrading of natural gas distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€122 and €137 million, respectively, for the first half of 2015 and 2016).

⁵⁸ Subject to approval by the Italgas Reti SpA Board of Directors on 4 November 2016. Note that the results of the first nine months of 2016 have not been subject to auditing, limited auditing, or any other verification procedure by the External Auditor and therefore this latter did not express any opinion, conclusion or other assurance over them.

During the first half of 2016, the Distribution segment's EBIT totalled €178 million, down by €70 million (-28.2%) compared with the first half of 2015 due to the reduction in regulated settled revenue (-€27 million), which was largely the result of an increase in the rate of return on invested capital for 2016 from 6.9% to 6.1% for distribution and from 7.2% to 6.6% for metering, and the increase in operating costs (-€33 million) mainly as a result of net allocations to provisions for risks and charges to cover utilisation in the first half of 2015.

These provisions relate substantially to the adaptation of the environmental reclamation fund, to risks of a legal nature and to the fund allocated to detect the negative margins related to the purchase of TEE net of the use of the legal risks fund, environmental charges and other funds.

Regarding the above-mentioned update of the rate of return on the capital invested, with the Decision 583/2015/R/com, the Authority has set the criteria for the determination and the update of the rate of return on the capital invested (WACC) for infrastructure services regulated by electric and gas sectors. These criteria unify all parameters with the exception of those that are specific to individual services, including the beta parameter, which expresses the specific level of risk of individual services and the weight of the equity and debt capital used for weighting (Debt/Equity ratio) and confirming the principle of calculating the rate of return on the capital invested as a weighted average of the rate of return on own capital and the cost of debt denominated in real terms before tax, as well as the methodology of the Capital Asset Pricing Model (CAPM).

With this measure, the Authority has introduced a “regulatory period of the rate of remuneration” of a duration equal to 6 years (2016-2021), providing triennial updates of risk free parameters, market risk premium, country risk premium, inflation, level of taxation and gearing.

Technical investments in the Distribution segment totalled €152 million (€142 million in the first half of 2015) with respect to distribution investments (€87 million, including €14 million for the replacement of cast iron pipes), metering investments (€51 million) and other investments (€14 million).

Reclassified income statement - Distribution segment

(Euro million)	First nine months		Change	% change
	2015	2016		
Regulated revenue (*)	797	760	(37)	(4.6)
Operating costs (*)	(278)	(297)	(19)	6.8
EBITDA	534	483	(51)	(9.6)
Amortisation, depreciation and impairment	200	214	14	7.0
EBIT	334	269	(65)	(19.5)

(*) Net of revenue from the construction and upgrading of natural gas distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€200 and €216 million, respectively, for the first nine months of 2015 and 2016).

The Distribution segment's EBIT for the first nine months of 2016 totalled €269 million, down by €65 million (19.5%) compared with the first nine months of 2015 due to the reduction in settled revenue (€37 million), which was largely the result of an increase in the rate of return on invested capital for 2016 from 6.9% to 6.1% for distribution and from 7.2% to 6.6% for metering, and the increase in operating costs (€19 million) and the greater depreciation for the period. Specifically, the increase of operating costs is mainly due to greater net provisions for legal risks, deriving from lower usage in the first nine months of 2016 compared to the corresponding period of the previous year, the increase of charges associated with Energy Efficiency Certificates and the greater losses associated with assets, meters in particular. These factors were partly offset

by the lower extraordinary charges recorded in the third quarter of 2015, linked with the suppression of the Gas Fund pursuant to Law no. 125 of 6 August 2015.

Technical investments in the Distribution segment amounted to €248 million (€231 million in the first nine months of 2015), regarding distribution investments (€137 million, of which €23 million related to the replacement of cast iron pipework), investment in metering (€83 million) and other investments (€28 million).

The business outlook for the first 9 months of 2016 appears substantially in line with the forecasts of the Italgas Strategic Plan, save for an increase in operational costs for the current year in the amount of approximately €10 million.

5.2 Outlook for the current year

As explained in the paragraph above, since its establishment, the Issuer has not engaged in any activities other than those aimed at implementing the Demerger, and no other activities are planned until the Demerger Effective Date.

Assuming that the Demerger Effective Date is the first days of November 2016, the Issuer will note on their accounts for the 2016 the recurring costs non-relating to the Operation.

At the Information Document Date, the operational results and profit of Italgas Group is still in line with the estimate for 2016 contained in the Italgas Strategic Plan, save for an increase in operational costs for the current year in the amount of approximately €10 million.

5.3 Forecast Data

On 5 September 2016, the Board of Directors of Italgas Reti approved the Italgas Strategic Plan defining the strategic guidelines and the targets of the Italgas Group for a period of five years, from 2016 to 2020. As a result of the Transaction and the separation of Italgas Reti from the Snam Group, the Strategic Plan of the Italgas Group (Business Plan) was submitted to the Board of Directors of Italgas, the company which, on the completion of the Transaction, will, through its subsidiaries, take over the management of the distribution sector business. Further to the effective date of the Transaction, the directors of the Beneficiary Company could adopt guidelines which are different from those described in this chapter.

On 18 October 2016, the Italgas Board of Administration confirmed the validity of the Italgas Strategic Plan also with respect to the operational cost savings expected during the plan for a total amount of €27 million and the dividends to be distributed by the Issuer.

The separation of Italgas Reti from Snam is aimed at strengthening both companies and producing benefits for all the shareholders, also considering the differences in the businesses in which the above-mentioned companies operate and the different development opportunities which may arise in the context of their respective businesses.

As an independent company from a managerial, operational and financial perspectives, Italgas Reti will be able to focus on the best strategy to take part in the Local Tender Processes for the renewal of gas distribution concessions, in order to significantly grow in the business in which it operates. This will permit a benefit from

further economies of scale and to complete a plan for the increase of operating efficiency estimated to balance the costs resulting from the Demerger. As of the Information Document Date, the Italgas Strategic Plan envisages efficiency plans and actions to decrease operating costs for a total amount of 27 million Euro according to the plan. In addition, the management of the Italgas Group is considering additional actions not included in the Italgas Strategic Plan in order to increase the reduction of operating costs. As a result of these actions, the following additional long-term annual savings are deemed: savings on operating costs of about 17 million Euro (of which about 4 million Euro for the improvement of productivity, approximately 2 million Euro in the sphere of ICT, approximately 8 million Euro for optimisation of costs associated with the telemetry and about 3 million Euro for reduction of other operating costs), in addition to about 20 million Euro of investment activity savings.

It is also envisaged that Italgas will have credit rating, in line with Snam's one, and direct access to capital markets, with a more efficient financial structure and competitive costs, taking advantage of the current financial market opportunities. In this regard, following the announcement of the Transaction, the rating agencies Fitch and Moody's assigned respectively an expected public rating and a provisional issuer rating to Italgas. These ratings are in line with those assigned to Snam.

The Italgas Strategic Plan is the result of a prospective simulation of the economic and financial parameters of the Italgas Group, and was prepared on the basis of the historical data of the Italgas Reti Group as of 31 December 2015 and representing the scope of the Italgas Group from 1 January 2016 on a pro-forma basis and effects related to the Transaction and to the liquidation of the financial relationship between Snam and Italgas Group and the consequent autonomous refinancing on the market of the latter, from 1 November 2016.

The Italgas Strategic Plan envisages targets identified on the basis of a substantial continuity of the current regulatory framework and the results of management's initiatives.

The Forecast Data is based on hypotheses relating to future events and actions including, *inter alia*, general and hypothetical assumptions regarding future events - influenced by risks and uncertainties characterising the current macroeconomic scenario - actions that may not occur and events or other factors that may impact the trend of the main economic and financial parameters of the Italgas Group, and which the directors and the management of Italgas cannot influence, or can only partially influence, collectively, the "Hypothetical Assumptions".

In particular, these Hypothetical Assumptions envisage, *inter alia*:

- (i) the positive completion of all steps of the Transaction, including the admission to trading of the Italgas shares on the MTA;
- (ii) the successful outcome of the refinancing on the market of the Italgas Group, including the potential issuance of listed notes;
- (iii) the effectiveness of the schedule of the upcoming tenders for the award of the gas distribution service in the various ATEMs envisaged by the management of Italgas. This calendar calls for competitive bidding processes to be completed by the end of 2021;

- (iv) the achievement of the success rate envisaged by the management of Italgas with regard to upcoming tenders for the award of the gas distribution service in the various ATEMs in which the Italgas Group expects to take part;
- (v) The RAB value as an indicator of the Reimbursement Value to be paid to the outgoing operators in the context of the upcoming tenders for the award of the gas distribution service in the various ATEM, for each of the concessions under the scope of Italgas Reti in the period of the plan;
- (vi) The confirmation of the forecasts relating to natural gas' demand in Italy in the medium/long-term or changes in applicable regulations;
- (vii) The carrying out of transactions to refinance the indebtedness for a total amount equal to €800 million.

In addition, the hypotheses relating to the evolution of the macroeconomic and regulatory scenario, and the dynamics of the reference rates on which the Italgas Strategic Plan is based, have been prepared on the basis of the forecasts currently available. Specifically, the Forecast Data has been prepared assuming an average annual inflation rate of approximately 1% over the period of the plan, in order to update the RAB value. Furthermore, the Italgas Strategic Plan has been developed on the basis of the current competitive market position.

Given the uncertainty relating to the occurrence of any future events and the extent and timing thereof, the differences between the historical figures and the Forecast Data could be significant, even if the forecasted events included in the Hypothetical Assumptions will occur.

Summary of the guidelines and growth targets

The Italgas pro-forma consolidated net financial debt as of 31 December 2015 is approximately equal to €3.5 billion. Considering the ordinary dividend for 2015 of approximately €275 million, that Italgas Reti plans to distribute to Snam, approved by the shareholders' meeting of Italgas Reti on 18 July 2016 and collected by Snam in July, and the estimates relating to forecasted cash flow for 2016, the consolidated net financial debt of the Italgas Group at end of 2016, can be estimated as approximately €3.7 billion.

Below is the description of the dynamics of the ratio between net financial debt and RAB of the Italgas Reti Group in the three-year period 2013-2015 and the pro-forma value of the Italgas Group at 31 December 2015.

Net financial indebtedness / RAB⁵⁹	31 December 2013	31 December 2014	31 December 2015
Italgas Reti Group	31%	33%	33%
Italgas Group Pro-forma	-	-	59%

The trend of the ratio net financial indebtedness / RAB for the three-year period 2013-2015 is of little significance as the Issuer is consolidated within the Snam Group and, therefore, the *ratio* of reference for the purposes of the rating is the consolidated rate of the Snam Group.

⁵⁹ Calculated including the RAB equity of subsidiaries and debt adjustments (for example the employee benefits fund).

It should be noted that, due to the effect of the sale, the ratio between net financial debt and RAB increases from 33% to 59% pro-forma at 31 December 2015. This value is consistent with the Issuer's activity, risk and cash flow generation profile. The pro-forma ratio of the net financial debt to RAB of the Demerged Company at 31 December 2015 is equal to 49%.

The ratios reported above referred to the Issuer and to the Demerged Company are not directly comparable because their businesses have different cash generation profiles.

According to the plan, it is estimated that the ratio between the net financial debt and the RAB would increase at the inception of, and during the progress of, Local Tender Processes, though never exceeding the 70% threshold, which the Issuer deems sustainable and in line with its own activity, risk and cash flow generation profile.

According to the plan, net cash-flow dynamics of the Italgas Group are negative, in line with the dynamics of technical and financial investments tied to Local Tender Processes. In this regard, the assumptions under the Plan include the recourse to debt refinancing transactions for a total amount of €800 million.

As a result of the Transaction, the Italgas Group shall be required to pay off loans with the Demerged Company for a total of €3,589 million (as at 30 September 2016).

With reference to the payment of the above-mentioned indebtedness by the Issuer, the following activities are provided:

- (i) the use of lines of credit for a total of €3.2 billion pursuant to the loan agreements signed on 28 October with leading banks and financial institutions, for a total of €3.9 billion (as a consequence, the available residual amount of the credit lines amount to €736 million); in particular:
 - (a) the use of the whole Bridge to Bond variable rate financing, equal to €2.3 billion, provided by a pool of 11 banks, with a duration of 12 months and renewable, at the exclusive option of the borrower, twice for an additional six months, and with a spread of approximately 0.3% over the Euribor;
 - (b) the use of whole the three variable rate Term loans with a duration of 14 months and five years for a total overall amount of €500 million, provided by three of the 11 banks participating in the pool and with a spread of approximately 0.3% over the Euribor.
 - (c) the partial use of two revolving-type variable rate credit lines provided by the same pool of banks for a committed amount equal to €600 million and €500 million respectively, with a duration of three and five years, respectively, and with a spread of approximately 0.5% over the Euribor for the amount used, including usage fees;
- (ii) the assumption finalised between Snam and Italgas, with EIB's acceptance, finalised on 26 October 2016, effective from the Demerger Effective Date, with respect to two loans borrowed by the Demerged Company from EIB for an amount of €424 million and with a spread of approximately 0.7% over the Euribor for an average residual duration of approximately 18 years, and intended to finance Italgas Reti projects.

The enforceability of the aforementioned financing contracts are subject to the completion of the Transactions under the authorisation of the regulatory authorities (CONSOB and Borsa Italiana) and the listing of the Italgas shares on the MTA.

Upon completion of the Transaction, the envisaged debt structure of Italgas will be as follows:

- (i) a Bridge to Bond financing at a variable rate, provided by a pool of 11 banks for a committed amount equal to 2.3 billion Euro with a duration of 12 months, solely at the borrower's option, renewable twice for further 6 months each and a spread of about 0.3% on the Euribor. Such loan, whose purpose is to repay the existing loans with Snam, may be repaid by means of bond issuance;
- (ii) two revolving type credit lines at a variable rate provided by the same pool of banks, for a committed amount respectively equal to 600 million Euro and 500 million Euro and the duration of 3 and 5 years, and a spread of about 0.5% on the Euribor including usage commissions for the amount used. Such loans may be used to repay the existing loans with Snam and for the refinancing of the activities of the Issuer;
- (iii) three term loan type financing at a variable rate of the duration of 14 months and 3 years, for a total amount of 500 million Euro provided by three of the 11 banks participating in the pool (BNP Paribas as to the 3 year loan, ING and Unicredit as to the 14 month loans) and a spread of about 0.3% on the Euribor;
- (iv) two loans to be disbursed by the European Investment Bank for an overall amount of 424 million Euro, with an average residual duration of approximately 18 years and average spread of approximately 0.7% on the Euribor.

The Italgas Strategic Plan estimates that the main indicators of creditworthiness will remain throughout the period of the plan within a solid investment grade, providing the company with sufficient flexibility to seize the opportunities for investment and to define an adequate policy of remuneration of shareholders.

In particular, it is envisaged in the Plan period that the operating cash flow will fully cover the needs in terms of technical investments for the current perimeter of activities, as well as the payment of dividends.

Between 2016 and 2020 Italgas has plans for technical investments totalling approximately €2 billion. Approximately €0.4 billion is scheduled for 2016 (52% on the network and 31% on metering activities and 17% on other activities) and the remaining €1.6 billion approximately in the period 2017-2020 (48% on the network and 43% on metering activities and 9% on other activities). It is estimated that such investment plan can support a 1% annual mean increase of the RAB and increase the contribution of measuring equipment to the total consolidated RAB from 11% in 2015 to 15% in 2020. In 2015 Italgas made technical investments of Euro 393 million of which approximately 30% involved metering activities.

During the period of the plan, it is expected that the tenders for the renewal of natural gas distribution concessions, to be carried out on the basis of 177 geographical areas (ATEM) identified pursuant to the applicable laws and regulations, will start. It is also expected that the outcome of such tenders will trigger a significant consolidation of the market, which is currently characterised by the presence of over 200 operators.

The criteria used to evaluate tender offers for natural gas distribution service concessions are governed by Ministerial Decree No. 226 of 12 November 2011. The criteria for the granting of the concessions provides for the following: 28 points for the monetary offer (taking into account the rate discount, the services offered to the clients and the fees to be paid to the relevant municipality); 27 points for the management offer (taking into account the quality and safety of the service offered); 45 points for the technical offer (taking into account the offeror's assessment of the status of the networks and the offeror's ability to implement and improve the investment plan of the contracting entity in connection with the extension, maintenance and technical innovation).

The Italgas Strategic Plan assumes that there are the conditions to increase the current market share of approximately 30% to approximately 40%, at the end of the Local Tender Process in terms of Redelivery Points (RP) of the consolidated perimeter of the Italgas Group, corresponding to over 8 million RP managed, compared with approximately 6.5 million currently. In accordance with the Italgas Strategic Plan, this increase will require a net financial investment in new concessions of approximately 1.3 billion Euro and an additional 0.9 billion Euro in technical investments on acquired new concessions. In 2020 it is estimated to reach a market share of 35%, equivalent to 7.5 million RDs. The above reflects a hypothesis of being awarded about 80% of the tenders in which Italgas Reti will participate.

At the Information Document Date, Italgas Reti is actually present in 113 of the 177 ATEM and approximately 75% of the RP managed by it are located in ATEM in which the market share is more than 50%, while a further 17% RP approximately are in ATEM with a market share of between 25% and 50%. Note that the concession of the natural gas distribution service in the Municipality of Rome, which alone represents approximately 20% of the portfolio of Italgas Reti in terms of number of PR, will expire in 2024 and that, as a result, any economic-financial impacts of the tender for the Rome area will be felt from this date.

Consolidated RAB is expected to grow from around €5.7 billion at end 2015 to more than €7 billion at the end of the Local Tender Process (6.6 billion Euro in 2020). In the event of failure to achieve the objectives set out in the Italgas Strategic Plan, the Issuer plans to continue its program of organic investment and efficient operation of distribution and measurement activities.

The Italgas Strategic Plan assumes that for 2016, pro-forma as if the transaction took place at the start of the year, the following results could be achieved:

- revenues of approximately €1 billion (expected following growth in line with the performance of tenders and investments);
- EBITDA Margin equal to approximately 65% (with further opportunities for optimising costs);
- EBIT/RAB higher than 6%;
- Dividend for 2016, to be paid in 2017, of 20 Euro cents per share and later low single digit growth in the next two years.

With regard to the 2015 financial year, the Italgas Strategic Plan in 2016 foresees a decline in the operating result of the Italgas Group which can be attributed to a reduction of income due to the review of the regulatory rate of remuneration applicable as of 1 January 2016 together with an increase in costs attributable to (i)

activities linked to the replacement plan and the management of remotely read meters, (ii) the increase in labour costs as a consequence of the adoption of a new operational and organisational model, (iii) the change in the price of the energy efficiency securities and (iv) the network verification plan.

The following table is a summary of the 2015 *pro-forma* results compared to the 2016 previosions:

	2015 Pro-forma	2016
Revenues	Euro 1,416 million	Over Euro 1 billion
Revenues net of IFRIC 12 effects (*)	Euro 1,095 million	
EBITDA Margin (**)	67%	About 65%
	8.8%	More than 6%

(*) Excluding revenues deriving from construction and upgrading of distribution infrastructure recorded pursuant to international accounting standard IFRIC 12 “Service Concession Agreements” and measured in an amount equal to the relevant costs incurred. The 2015 pro-forma revenues, including the effects of IFRIC 12 (Euro 321 million), amount to Euro 1.416 million.

(**) Calculated based on revenues net of the effects of IFRIC 12.

As at the Information Document Date, the management and earnings’ trend of the Italgas Group is in line with the forecasts for 2016 included in the Italgas Strategic Plan, except for an increase in the operating costs for the current year equal to approximately €10 million. The Issuer deems that the targets indicated in the table above are achievable as a result of actions which are in the process of being implemented and which are aimed at limiting the operating costs.

This Information Document includes the information on the evolution of the Forecast Data included in the press release on the 2016-2020 Strategic Plan published on 29 June 2016 and to the document entitled “2016-2020 Strategy and Targets”, made available to the public on the website www.snam.it and to the document named “Italgas capital market day” also made available to the public on the website www.snam.it.

5.4 External Auditors’ report on Forecast Data

On 2 November 2016, the External Auditors issued its report on the Forecast Data of the Italgas Group, as shown below.



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Independent Auditors' Report on the examination of prospective financial information

In accordance with Article 13.2 of Annex I to the Commission Regulation (EC) N° 809/2004

(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n° 809/2004, adopted by CONSOB in Italy with CONSOB Regulation n° 11971/99, as amended, for the preparation of the information memorandum (the "Information Document") in connection with the listing of shares of Italian companies requires that, when forecasts or estimates are presented, the Informational Document contain "a report prepared by the independent auditors stating that in their opinion the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the International Auditing and Assurance Standards Board ("IAASB") of IFAC -International Federation of Accountants.

Accordingly, an independent auditors' report on the examination of the prospective financial information was issued by the independent auditors of Italgas S.p.A., in connection with the preparation by Italgas S.p.A. and Snam S.p.A. of the Information Document, pursuant to Article 57 of the Regulation adopted by CONSOB with Resolution no. 11971/99 and subsequent changes in application of Legislative Decree n. 58/98 as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies for the listing of ordinary shares of Italgas S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of Italgas S.p.A..

The following is the English language translation of the original Italian independent auditors' report on the examination of the prospective financial information of Italgas S.p.A. under the above mentioned Italian Regulation, in accordance with Article 13.2 of Annex I to the Commission Regulation (EC) N° 809/2004, adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies and cannot be used, in whole or part, for any other purposes.

To the Board of Directors of
Italgas S.p.A.

1. We have examined the prospective financial information included in the strategic plan that defines the strategic guidelines and targets, together with the assumptions and elements on which they are based, of Italgas S.p.A. (the "Company" or "Italgas") and of the companies operating in the gas distribution activity that, upon completion of the proposed proportional partial demerger of Snam S.p.A. ("Snam") in favour of Italgas, will be controlled by Italgas (the "Italgas Group"), for the period of five years from 2016 to 2020 (the "Italgas Strategic Plan" or the "Plan"). The Plan, approved by the Board of Directors of Italgas on 5 September 2016 and subsequently confirmed on 18 October 2016, reports: (i) Italgas net financial debt at the end of 2016, estimated to be approximately Euro 3.7 billion, compared to a pro forma consolidated net financial debt of approximately Euro 3.5 billion at 31 December 2015, (ii) technical investments during the period of the Plan for a total of approximately Euro 2 billion; (iii) increase in the market share from the current market share of approximately 30% to approximately 40%, at the end of the Local Tender Process in terms of Redelivery Points ("RP"); and (iv) a growth of the consolidated Regulatory Asset Base ("RAB") from approximately Euro 5.7 billion at the end of 2015 to more than Euro 7 billion at the end of the Local Tender Process (the "Forecast Data"). The Forecast Data, the assumptions and the elements on which they are based are included in Paragraph 5.3 "Forecast Data" of the information document (the "Information Document") related to the listing of ordinary shares of Italgas resulting from the proportional partial demerger of Snam in favour of Italgas (the "Transaction"). The Forecast Data and the related assumptions and elements set forth in the Information Document, as well as the preparation of the Plan, are the responsibility of Italgas's directors and were prepared on the basis of the consolidated financial information of Italgas Reti S.p.A. ("Italgas Reti") as of 31 December 2015 and assuming the completion of the Transaction as if it had occurred on 1 January 2016.

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2. The Forecast Data has been prepared using a set of assumptions about future events and actions that will have to be undertaken by directors that include, inter alia, general and hypothetical assumptions about future events, influenced by risks and uncertainties affecting the current macroeconomic scenario, and directors' actions that may not necessarily occur, and events and actions on which directors and management may not or may only partially have an influence, regarding the trend of the main financial and economic indicators or other factors that influence their evolution (the "Hypothetical Assumptions"). Such Hypothetical Assumptions, described in Paragraph 5.3 "Forecast Data" of the Information Document, relate to: (i) the positive completion of all steps of the Transaction, including the admission to trading of the shares of Italgas on the Mercato Telematico Azionario ("MTA"), in compliance with the expected timeline; (ii) the successful outcome of the refinancing on the market of the Italgas Group, including the potential issuance of listed notes; (iii) the effectiveness of the schedule of the upcoming tenders for the award of the gas distribution service in the various ATEMs envisaged by management; (iv) the achievement of the success rate envisaged by management with regard to the upcoming tenders for the award of the gas distribution service in the various ATEMs in which the Italgas Group expects to take part; (v) the RAB value as an indicator of the Reimbursement Value to be paid to the outgoing operators in the context of the upcoming tenders for the award of the gas distribution service in the various ATEM for each of the concessions under the scope of Italgas Reti in the period of the plan; (vi) the confirmation of the forecasts relating to natural gas' demand in Italy in the medium/long-term or changes in applicable regulations; and (vii) the refinancing of the indebtedness resulting from the transaction described in point (ii), for a total amount equal to Euro 800 million.
3. Our examination has been performed in accordance with procedures provided for these engagements by the International Standard on Assurance Engagements ("ISAE") 3400 "The Examination of Prospective Financial Information" issued by IFAC - International Federation of Accountants.
4. Based on our examination of the evidence supporting the assumptions and the elements used to prepare the Forecast Data included in Paragraph 5.3 "Forecast Data" of the Information Document, nothing has come to our attention which causes us to believe, to date, that these assumptions and elements do not provide a reasonable basis for the preparation of the Forecast Data, assuming the occurrence of the Hypothetical Assumptions about future events and directors' actions mentioned in paragraph 2. above. Further, in our opinion the Forecast Data are properly prepared on the basis of the above mentioned assumptions and are presented in accordance with accounting principles consistent with those applied by Italgas Reti in the preparation of the consolidated financial statements as of 31 December 2015.
5. However, it should be noted that due to the uncertainties of the occurrence of future events, with respect to the realization of the event and its quantification and time of occurrence, variations between actual results and those forecasted in the Forecast Data may be material, even if the events anticipated under the Hypothetical Assumptions mentioned in paragraph 2. above, occur.
6. This report has been prepared for the sole purposes of the requirements of Article 13.2 Annex I to the Commission Regulation (EC) N° 809/2004, and cannot be used, in whole or part, for any other purposes.
7. We have no responsibility to update this report for events and circumstances occurring after the current date.

Turin, 2 November 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers.

6. SIGNIFICANT EFFECTS OF THE TRANSACTION ON THE DEMERGED COMPANY

6.1 Significant effects on the Demerged Company

The effects of the Demerger on the Demerged Company's results, assets and liabilities, margins and cash flows are examined in Chapter 7 below.

As a result of the Demerger, Snam will award a 52.90% stake in Italgas Reti to the Beneficiary Company. As such, as of the Demerger Effective Date, Snam's main activities will relate to the transportation, storage and regasification of natural gas in Italy, as well as some stakes in gas transmission and storage activities in certain European countries. Snam's future results and cash flows will broadly reflect the performance of these activities, as well as the contribution from the 13.50% stake in the Italgas Group.

Finally, the Demerger will have no effect on the key characteristics of the business carried out by the individual segments of the Snam Group (whether these are being transferred to the Beneficiary Company or remaining in the Demerged Company), or on the related services, major markets, business strategies and personnel management policies.

6.2 Significant effects on the Snam Group

Snam and Snam Rete e Gas, through their functions and based on tariffs defined according to the costs incurred, provide services of various natures (such as: planning, administration, finance, tax, health and safety, I.T., personnel and organisation, regulation, industrial relations and communication, security, general and property services, enterprise risk management, internal audit, supply chain, legal and corporate affairs and compliance) to Snam subsidiaries/investee companies, including Italgas Reti.

Italgas Reti in turn, provides services to its subsidiaries and investee companies, while retaining the liability and obligations, including of a financial nature, arising from the service contracts with Snam or with Snam Group companies.

At the Demerger Effective Date (coinciding with the start date of trading on the MTA of the shares of Italgas), Italgas will have the necessary resources and structures to ensure (i) the admission to trading on the MTA of the shares of Italgas, and (ii) continuity of the business of the Italgas Group. In addition, Italgas will provide Italgas Reti with the necessary services to ensure the business operations (such as regulations, finance, etc.).

The services currently provided to Italgas Reti by Snam and Snam Rete Gas will stop on 31 October 2016. In addition, Snam's provision of services to the Italgas Group relating to some activities for which a temporary support (as described below) will be granted by Snam in favour of the Italgas Group.

In consideration of the temporary nature of the supply of the cited services by Snam, the Italgas Group shall have to: (i) equip itself with appropriate internal structures that will be able to ensure the performance of the activities provided as a service by Snam; or (ii) evaluate the stipulation of appropriate agreements with third-party companies for certain services. If this does not occur, there may be negative effects on the Italgas Group's operations, results, balance sheet and cash flow.

The activities carried out by Snam under the scope of the service contract for the Italgas Group companies will be valued on the basis of the costs incurred.

It cannot be excluded that the internationalisation of the Italgas Group or the take-over by third parties of some activities provided as a service by Snam may trigger the occurrence of events which may have a negative effect on Italgas Group's activities, or involve increases in costs, with negative effects on the Italgas Group's operations, results, balance sheet and cash flow.

Please see Chapter 3, Paragraph 3.7.1 of this Information Document for more information about service agreements.

7. PRO-FORMA CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND FINANCIAL DATA FOR THE DEMERGED COMPANY

Introduction

This Chapter provides information on the pro-forma consolidated balance sheet, income statement and cash flow statement of the Post-Demerger Snam Group for the year ended 31 December 2015 (Paragraphs 7.1 and 7.2) and at 30 June 2016 (Paragraphs 7.3 and 7.4) hereinafter the “Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group”), accompanied by the related explanatory notes. With reference to the Post-Demerger Snam Group Pro-Forma Consolidated Financial Statements at 31 December 2015, note that they (and the notes) are consistent with those in the Snam Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers’ Regulation published on 5 July 2016.

The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group were prepared in accordance with CONSOB Communication DEM/1052803 of 5 July 2001, in order to report the theoretical retroactive impact of the Demerger on historical data originally presented by the Snam Group and of the other measures to reorganise the corporate structure in a unitary and substantially simultaneous manner with the Demerger (*i.e.*, the Contribution and the Sale, together with the Demerger defined below, the “Transaction” as described in the Paragraph “Reorganisation of corporate structure” in Chapter 2, Paragraph 2.2.1 of this Information Document).

Specifically, the pro-forma data at 31 December 2015 and at 30 June 2016 were prepared for information purposes and are designed to illustrate the effects of the Transaction as if it had taken place, respectively, with regard to the effect on operations at the reference date of the statement of financial position (respective on 31 December 2015 and 30 June 2016) and, with reference to the economic effects and financial flows only, at the start of the period to which the above-mentioned data refer (respectively, 1 January 2015 and 1 January 2016).

Through the industrial and corporate restructuring Transaction, the entire equity investment held by Snam in Italgas Reti as at the Information Document Date, equal to 100% of the share capital of Italgas Reti, will be transferred to Italgas.

Specifically, the Transaction as a whole, which will occur in a unitary and substantially simultaneous manner, includes:

- a) the contribution in kind by Snam to Italgas of a stake equal to 8.23% of the share capital of Italgas Reti, in exchange for the allocation to Snam of 108,957,843 newly issued shares of Italgas, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);
- b) the sale by Snam to Italgas of 98,054,833 shares of Italgas Reti, equal to 38.87% of the share capital of Italgas Reti, for a price of €1,503 million, together with the assumption of an equal amount of debt at the Beneficiary Company (Vendor Loan); and
- c) the partial and proportional Demerger of Snam, with the allocation to Italgas of an equity investment equal to the 52.90% held by the Demerged Company in Italgas Reti, and consequent allocation to

Snam shareholders of the remaining 86.50% of the Beneficiary Company's share capital, as described in Chapter 2, Paragraph 2.1.2 of this Information Document.

The adequacy of the values of the Contribution and Sale indicated in points a) and b) was confirmed by sworn reports of the value of the equity investment held by Snam in Italgas Reti (including the equity investments held by it in the investee companies) issued by an Independent Expert in order to comply with the requirements of current regulations, and specifically, on the basis of the structure of the Transaction: (i) the provisions of Art. 2343-*ter*, paragraph 2 of the Civil Code regarding the Contribution; and (ii) the provisions of Art. 2343-*bis*, paragraph 2 of the Civil Code regarding the purchase of the company from advisors, founders, shareholders and directors.

In addition, the Expert issued a report requested by Snam on a voluntary basis, estimating the actual value of shareholders' equity assigned to the Beneficiary Company following the Demerger as indicated in point c), which confirms the value of shareholders' equity determined for the purposes of the Demerger transaction.

The transactions represent a single structure, in which the result of the single steps is represented by the transfer of the entire stake held by the Demerged Company in Italgas Reti to the Beneficiary Company.

Pursuant to Art. 93 of the TUF, following the loss of control carried out by Snam with respect to Italgas Reti, the latter will be required to repay the loans made to it by the Demerged Company. In addition to the settlement of pre-existing financial transactions, the Beneficiary Company will also be required to liquidate the amount indicated in point b) resulting from the Sale transaction described above. In order to liquidate the amounts referenced, the Italgas Group will have to fund itself independently on the market.

Thus, for the purposes of the pro-forma data presented below, in addition to the impact of the Transaction as described above, due consideration was also given to the impact from the settlement of existing financial transactions with the Demerged Company and the resulting autonomous refinancing of the Italgas Group on the market since they are closely connected with the Transaction.

As a result of the Demerger, the Demerged Company will continue to wholly own the equity investments in the subsidiaries heading the transportation, regasification and natural gas storage businesses as well as the companies carrying out corporate services, which include:

- Snam Rete Gas, the largest Italian operator in the area of natural gas transportation and dispatching in Italy;
- GNL Italia, the owner of the Panigaglia regasification terminal (La Spezia);
- Stogit, the largest natural gas storage operator in Italy, and one of the largest in Europe;
- (i) Snam, which carries out the group's centralised management of legal, corporate and compliance matters; planning; administration; finance and control; HSEQ; ICT; personnel and organisation; regulations; industrial relations and communication; security; general and property services; enterprise risk management; auditing, and (ii) Gasrule Insurance Ltd, a captive insurance company with its registered office in Dublin, which covers the Group's industrial risks.

For a proper interpretation of the information contained in the pro-forma consolidated data, it should be noted that:

- i. since these are representations based on assumptions, if the Demerger were truly implemented on the dates used as a reference for the preparation of the pro-forma data instead of on the actual data, the historical data would not necessarily be the same as the pro-forma data;
- ii. the pro-forma adjustments represent the most significant balance sheet, income statement and financial effects directly connected with the Transaction;
- iii. the pro-forma data is not projected figures and are not intended, in any way, to represent a forecast of the future balance sheet, income statement and financial situation of the Post-Demerger Snam Group;
- iv. in consideration of the various purposes of the pro-forma consolidated data as compared to historical figures, and in consideration of the various methodologies used to calculate the pro-forma adjustments made to Snam Group's consolidated financial statements, the pro-forma consolidated balance sheet, income statement and statement of cash flows must be reviewed and interpreted separately, without attempting to find accounting connections between them.

Finally, pursuant to Annex II of Regulation 809/2004/EC, it is believed that all adjustments reflected in the pro-forma consolidated data shall have a permanent effect, with the exception of those indicated at the end of the pro-forma consolidated income statement with comments in the notes.

The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group attached to this document were examined by the External Auditors, who issued their report on 9 September 2016.

Introduction

The accounting principles and evaluation criteria adopted for the preparation of the pro-forma data presented in Paragraphs 7.1 and 7.3 are consistent with those applied, respectively, to the Snam Group consolidated financial statements at 31 December 2015 and to the Snam Group condensed interim consolidated financial statements at 30 June 2016, which should be referred to.

The Transaction is being conducted under the going-concern principle, considered as a Business Combination Involving Entities or Businesses Under Common Control since the companies participating in the business combination (Snam, Italgas and Italgas Reti) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

As a result, the Post-Demerger Snam Group pro-forma consolidated financial statements were prepared applying the principle of continuity of amounts, which generates amounts in the balance sheet that are equal to those stated in Snam Group's consolidated financial statements before the Demerger. If the international accounting principle IFRS 10, paragraph 25 – Consolidated Financial Statements was applied to the Transaction, the residual profit-sharing of the stake held by Snam in Italgas would be valued at fair value and therefore recorded at a higher value.

With the exception of the Beneficiary Company, which was established by Snam on 1 June 2016, the Transaction covers entities already included in Snam Group's scope of consolidation at 31 December 2015. Therefore, the scope of consolidation used when preparing Snam Group's consolidated financial statements at 31 December 2015 and at 30 June 2016 are the same as the sum of the scopes of consolidation of the Demerged Company and the Beneficiary Company taken into account for the preparation of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group.

Specifically, the scope of consolidation of the Demerged Company is the same as the aggregate of the "Corporate and other activities" segments and operating segments requiring disclosure under IFRS 8, Transportation and Dispatching, Regasification and Storage. Therefore the pro-forma data of the Post-Demerger Snam Group before pro-forma adjustments, as well as the data indicated in column D "Post-Demerger aggregate", correspond to the sum of data for the above segments net of eliminations for related inter-company transactions.

Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

Following the transactions described in the introduction to this Chapter, by means of the Demerger, Snam will assign a portion of its assets to the Beneficiary Company consisting of an equity investment of 52.90% held by the Demerged Company in Italgas Reti.

In exchange for the assignment of these assets, Italgas will assign its own newly issued shares to the shareholders of Snam in proportion with the shareholding held by each in the share capital of Snam. The allocation will take place based on a ratio of one Italgas share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, on 16 September 2016 Snam engaged an authorised intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

Therefore, the reference date used in preparing the Post-Demerger Snam Group Pro-Forma Consolidated Financial Statements for simulating the impact of deconsolidation resulting from the Demerger does not correspond to the date that will actually be used for the preparation of the consolidated financial statements of the Post-Demerger Snam Group and the Italgas Group for the period in which the Demerger is finalised.

Any differences in the accounting amounts of assets being transferred that are due to company changes that may occur by the Demerger Effective Date will not result in cash adjustments, but will instead be applied as a benefit or charge to the assets assigned.

The book value in the parent company of assets being transferred will remain unchanged, since any variations that are due to company changes that may occur by the Demerger Effective Date will not result in cash adjustments, but will instead be applied as a benefit or charge to the assets assigned.

The following base assumptions were used to assess the impact of the Transaction on the reference dates for preparing the pro-forma data:

- the pro-forma consolidated financial statements and information were prepared using Snam Group's consolidated financial statements for the year ending 31 December 2015 and the condensed interim consolidated financial statements as at 30 June 2016 as a reference and supplementing them with pro-forma adjustments aimed at depicting the impact of the Transaction (the Demerger and unitary and substantially simultaneous corporate transactions, *i.e.* the Contribution and Sale);
- the pro-forma adjustments were calculated on the basis of the general rule that transactions related to the balance sheet are assumed to have occurred as at the reference date of the balance sheet, while with regard to the income statement and statement of cash flows, transactions are assumed to have occurred at the beginning of the period to which these statements refer. Thus, in accordance with the rules for preparing pro-forma statements, which are specified in the previously referenced CONSOB Communication DEM/1052803 of 5 July 2001, the impact of transactions carried out and planned, respectively, after 31 December 2015 and 30 June 2016 was not taken into account unless closely related to the aforementioned Transaction.

The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group include:

- the historical data derived, respectively, from the consolidated financial statements of the Snam Group at 31 December 2015 in Paragraph 4.1 and the condensed interim consolidated financial statements of the Snam Group at 30 June 2016 in Paragraph 7.3 (column A);
- the impact of deconsolidating the group of assets transferred to the Italgas Group on Snam Group's consolidated financial statements following the Demerger (column B);
- the impact arising from re-establishing asset and liability transactions and the restoration of positive and negative income components and cash flows related to transactions carried out between companies of the Post-Demerger Snam Group and of the Italgas Group (column C);
- the post-Demerger aggregate, which includes consolidated amounts for Snam less the group of assets transferred to the Italgas Group, and the impact arising from re-establishing asset and liability transactions between companies of the Post-Demerger Snam Group and of the Italgas Group; *i.e.* the historical data of the natural gas transportation, regasification and storage operating segments, as well as corporate services (column D);
- pro-forma adjustments applied to post-Demerger aggregate data to reflect the impact of significant transactions related to the Transaction (column E);
- the pro-forma consolidated amounts of the Post-Demerger Snam Group (column F).

7.1 Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 31 December 2015 of the Post-Demerger Snam Group

The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group were prepared on the basis of Snam Group's consolidated financial statements as at 31 December 2015, prepared according to IFRS, and subject to a limited audit by the External Auditors, who issued their report on 5 April 2016. Note that the Post-Demerger Snam Group Pro-Form Consolidated Financial Statements (and the notes) are consistent with those in the Snam Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers' Regulation published on 5 July 2016.

Unless otherwise indicated, figures are presented in millions of Euros.

7.1.1 Pro-forma consolidated balance sheet as at 31 December 2015

	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Post-Demerger Snam Group (F=D+E)
(millions of Euro)						
ASSETS						
Current assets						
Cash and cash equivalents	17	(2)		15	1,693	1,708
Trade receivables and other receivables	1,824	(563)	487	1,748	(433)	1,315
Inventories	152	(19)		133		133
Current income tax assets	54	(8)		46	(30)	16
Other current tax assets	8	(4)		4		4
Other current assets	98	(3)		95		95
	2,153	(599)	487	2,041	1,230	3,271
Non-current assets						
Property, plant and equipment	15,478	(230)		15,248		15,248
Compulsory inventories	363			363		363
Intangible assets	5,275	(4,472)		803		803
Investments valued using the equity method	1,372	(169)		1,203	153	1,356
Other receivables	78		1,417	1,495	(1,417)	78
Other non-current assets	137	(5)		132		132
	22,703	(4,876)	1,417	19,244	(1,264)	17,980
Non-current assets held for sale	24	(24)				
TOTAL ASSETS	24,880	(5,499)	1,904	21,285	(34)	21,251

	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Post-Demerger Snam Group (F=D+E)
(millions of Euro)						
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	1,351			1,351	(1,323)	28
Short-term portion of long-term financial liabilities	1,378			1,378		1,378
Trade payables and other payables	1,746	(393)	12	1,365		1,365
Current income tax liabilities	1	(1)				
Other current tax liabilities	50	(9)		41	11	52
Other current liabilities	71			71		71
	4,597	(403)	12	4,206	(1,312)	2,894
Non-current liabilities						
Long-term financial liabilities	11,067			11,067	(448)	10,619
Provisions for risks and charges	776	(192)		584		584
Provisions for employee benefits	166	(116)		50		50
Liabilities for deferred taxes	388	(159)		229		229
Other non-current liabilities	293	(6)		287		287
	12,690	(473)		12,217	(448)	11,769
Liabilities directly associated with assets held for sale	7	(7)				
TOTAL LIABILITIES	17,294	(883)	12	16,423	(1,760)	14,663
SHAREHOLDERS' EQUITY						
Share capital issued and reserves attributable to shareholders of the parent company	7,585	(4,615)	1,892	4,862	1,726	6,588
Minority interests	1	(1)				
TOTAL SHAREHOLDERS' EQUITY	7,586	(4,616)	1,892	4,862	1,726	6,588
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,880	(5,499)	1,904	21,285	(34)	21,251

7.1.2 Pro-forma consolidated income statement for the year ended 31 December 2015

(millions of Euro)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated income statement of Post-Demerger Snam Group (* (F=D+E)
REVENUE						
Core business revenue	3,856	(1,386)	71	2,541	(71)	2,470
Other revenue and income	114	(30)	2	86	20	106
	3,970	(1,416)	73	2,627	(51)	2,576
OPERATING COSTS						
Purchases, services and other costs	(782)	376	(3)	(409)	28	(381)
Personnel expense	(389)	244	(16)	(161)	18	(143)
	(1,171)	620	(19)	(570)	46	(524)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(849)	273		(576)		(576)
EBIT	1,950	(523)	54	1,481	(5)	1,476
FINANCIAL INCOME (EXPENSE)						
Financial expense	(392)	5		(387)	(3)	(390)
Financial income	12	(5)	48	55	68	123
	(380)		48	(332)	65	(267)
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Effect of valuation using the equity method	126	(20)		106	36	142
Other income (expense) from equity investments	9	(9)				
	135	(29)		106	36	142
PRE-TAX PROFIT	1,705	(552)	102	1,255	96	1,351
Income taxes	(467)	110		(357)	(23)	(380)
Net profit	1,238	(442)	102	898	73	971
Applicable to:						
- Shareholders of parent company	1,238	(442)	102	898	73	971
- Minority interests						

(*) The pro-forma net profit of the Post-Demerger Snam Group includes non-recurring items, net of the related tax effect of +Euro 66 million, mainly represented by (i) Euro 116 million (+Euro 79 million net of the related tax effect) from financial income resulting from adjusting outstanding receivables from the Italgas Group at 31 December 2015 to market value; (ii) Euro (5) million (Euro (3) million net of the related tax effect) from ancillary costs directly related to the Transaction (see Paragraph 7.1.4 below for further information); and (iii) the taxation of transactions for the reorganisation of the corporate structure totalling Euro (6) million.

7.1.3 Pro-forma consolidated statement of cash flows for the year ended 31 December 2015

(millions of Euro)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of Post-Demerger Snam Group (F=D+E) (*)
Net profit	1,238	(442)	102	898	73	971
Adjustments for reconciling net profit with cash flows from operating activities:						
Total amortisation and depreciation	846	(273)		573		573
Impairment losses	3			3		3
Effect of valuation using the equity method	(126)	20		(106)	(36)	(142)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	32	(12)		20		20
Interest income	(8)	1	(48)	(55)	(68)	(123)
Interest expense	345	(1)		344	(3)	341
Income taxes	467	(110)		357	23	380
Other changes	(9)	9				
Changes in working capital:						
- Inventories	55	4		59		59
- Trade receivables	(9)	45	12	48		48
- Trade payables	(128)	24	1	(103)		(103)
- Provisions for risks and charges	(14)	20		6		6
- Other assets and liabilities	136	10	(27)	119		119
<i>Working capital cash flow</i>	<i>40</i>	<i>103</i>	<i>(14)</i>	<i>129</i>		<i>129</i>
Change in provisions for employee benefits	30	(31)		(1)		(1)
Dividends collected	141	(17)	214	338	(185)	153
Interest collected	5	(1)	48	52	(48)	4
Interest paid	(345)			(345)	3	(342)
Income taxes paid net of reimbursed tax credits	(605)	150		(455)		(455)
Net cash flow from operating activities	2,054	(604)	302	1,752	(241)	1,511

(millions of Euro)	Consolidated financial statements as at 31 December 2015 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of Post-Demerger Snam Group (F=D+E) (*)
Net cash flow from operating activities	2,054	(604)	302	1,752	(241)	1,511
Investments:						
- Property, plant and equipment	(793)	20		(773)		(773)
- Intangible assets	(393)	340		(53)		(53)
- Companies joining the scope of consolidation and business units	(46)	46				
- Equity investments	(144)	0		(144)		(144)
- Financial receivables held for operations	(78)	0	(116)	(194)		(194)
- Change in payables and receivables relating to investments	18	(27)		(9)		(9)
<i>Cash flow from investments</i>	<i>(1,436)</i>	<i>379</i>	<i>(116)</i>	<i>(1,173)</i>		<i>(1,173)</i>
Divestments:						
- Property, plant and equipment	6	(1)		5		5
- Equity investments	147			147		147
- Change in receivables relating to divestment activities					1,133	1,133
- Companies leaving the scope of consolidation and business units					1,503	1,503
<i>Cash flow from divestments</i>	<i>153</i>	<i>(1)</i>		<i>152</i>	<i>2,636</i>	<i>2,788</i>
Net cash flow from investment activities	(1,283)	378	(116)	(1,021)	2,636	1,615
Assumption of long-term financial debt	1,167			1,167	(18)	1,149
Repayment of long-term financial debt	(1,620)			(1,620)		(1,620)
Increase (decrease) in short-term financial debt	284			284	(1,323)	(1,039)
Financial receivables not held for operations	216		85	301	409	710
Sale of treasury shares	47		85	132	(932)	(800)
Dividends paid to Snam shareholders	(875)			(875)		(875)
Net cash flow from financing activities	(828)		85	(743)	(932)	(1,675)
Net cash flow for the period	(57)	(226)	271	(12)	1,463	1,451
Cash and cash equivalents at the beginning of the period	74	(47)		27		27
Cash and cash equivalents at the end of the period (**)	17	(273)	271	15	1,463	1,478

(*) The pro-forma net cash flow for the period of the Post-Demerger Snam Group includes non-recurring additions to net cash flows of €1,693 million, mainly represented by the collection of existing receivables from the Italgas Group net of the repayment of bank lines of €1,722 million (see Paragraph 7.1.4 below for additional information).

The pro-forma statement of cash flows includes effects not taken into account when preparing the pro-forma balance sheet totalling Euro (230) million, since the pro-forma adjustments were calculated on the basis of the general rule that transactions relating to the pro-forma balance sheet

are assumed to have occurred as at 31 December 2015, while those relating to the pro-forma income statement and statement of cash flows are assumed to have occurred on 1 January 2015.

(**) The amounts recorded under “Cash and cash equivalents at the end of the period” in columns B and C of the statement of cash flows are to be read collectively in order to associate the sum of these amounts to the total of cash attributed to the Italgas Group indicated in column B of the pro-forma balance sheet in Paragraph 7.1.1.

7.1.4 Notes to the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 31 December 2015

Elements of the balance sheet, income statement and statement of cash flows assigned to the Italgas Group (column B)

This column reflects the impact of the partial and proportional Demerger of Snam to the Beneficiary Company on consolidated data through Snam’s allocation of a portion of its assets, represented by the net assets related to natural gas distribution in Italy.

Re-establishment of inter-company components (column C)

This column reflects the re-establishment of asset and liability transactions as well as positive and negative income and cash flow components attributable to transactions carried out between companies of the Group whose holding company is the Demerged Company and companies of the Group whose holding company is the post-Demerger Beneficiary Company, considering that, as a result of the Transaction, the reasons for the elimination of these transactions no longer apply since they can no longer be qualified as inter-company transactions. Specifically, these are mainly relationships resulting from the following types of transactions:

- revenues/receivables for services provided centrally by Snam or by companies remaining under the scope of the Post-Demerger Snam Group to companies that will go on to form the scope of the Italgas Group, with special reference to the provision of services involving legal affairs, HSEQ, ICT, personnel and organisation; regulation; industrial relations and communication, security, general and property services; enterprise risk management; auditing; procurement;
- costs/payables for the lease of properties and for the secondment of staff on the payroll of companies that will form a part of the Italgas Group to companies that will remain a part of the Post-Demerger Snam Group;
- loans provided by Snam to companies that will form a part of the Italgas Group, and inter-company asset/liability balances under the Group’s cash pooling agreement between Snam and companies that will form a part of the Italgas Group;
- financial income/receivables (and/or expenses/payables) related to interest income/expenses on cash pooling balances and chargebacks for financial services involving the centralised management of treasury services, and financial income/receivables related to interest income on loans provided by Snam to companies that will form a part of the Italgas Group;
- receivables/payables for the Group’s tax consolidation and VAT payment schemes.

Pro-forma adjustments (column E)

This column reflects the pro-forma adjustments (column E) applied to the aggregate post-Demerger data of the Snam Group to indicate the impact of the Transaction described above.

In accordance with the above-mentioned principle of continuity of amounts, which resulted in leaving the net assets within the purview of the Italgas Group unchanged, no capital gains and/or losses were reported in the income statement as a result of the Transaction.

Adjustments to the consolidated balance sheet

Investments valued using the equity method

As noted above, the reorganisation of the corporate structure will allow the Demerged Company to hold a 13.5% stake in the post-Demerger Beneficiary Company. This stake is initially recorded at Euro 153 million, equal to the 13.50% share of the post-Demerger pro-forma shareholders' equity of the Italgas Group.

Net financial debt

The pro-forma adjustments, reported in the items “Cash and cash equivalents”, “Short-term financial liabilities” and “Long-term financial liabilities” of the Statement of Financial Position at 31 December 2015, created a total decrease in the net financial debt equal to €3,464 million (of which 1,693 million was due to greater cash and cash equivalents and €1,771 million with regard to the reduction of financial debt), as a result of the effects due to:

- (i) the settlement by the Beneficiary Company, assumed to occur when the Transaction goes into effect, of
 - (a) the debt value as at 31 December 2015 attributed to Italgas Group (Euro 1,966 million), as well as
 - (b) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company (Euro 1,503 million), of which Euro 424 million, corresponding to the amount related to loans provided to Snam by the European Investment Bank (EIB), shall be settled by assumption by the Beneficiary Company;
- (ii) the payment of ancillary costs directly related to the Transaction amounting to €5 million;
- (iii) the reduction of the bonds due to the adjustment made in accordance with the application of the amortised cost method resulting from the recording of fees paid to the bondholders who approved the Transaction at the Snam shareholders' meeting; an adjustment equal to the amount of the fees was made to reduce cash by the related outlay.

Current income tax assets and liabilities

Pro-forma adjustments include the tax effect connected with (i) the adjustment of outstanding receivables from Italgas Reti at 31 December 2015 to market value; (ii) ancillary costs directly related to the Transaction; and (iii) the taxation of transactions to reorganise the corporate structure as described above.

Adjustments to the consolidated income statement

Costs related to the Demerger

Pro-forma adjustments include ancillary costs that are directly related to the Transaction in an amount projected at Euro 5 million (Euro 3 million net of the related tax effect). Specifically, this is an estimate of costs incurred for services rendered by legal, tax and accounting advisors. Note that in each case, these are not recurring costs.

Provision of services

With regard to services provided between the companies of the Post-Demerger Snam Group and the Italgas Group, in the pro-forma adjustments, inter-company revenues were reversed that correspond to services provided to date by the Demerged Company, for which it is assumed that the costs incurred will be borne directly by the Beneficiary Company (Euro 51 million). As a result, personnel and service costs of the same amount were reversed that were incurred to date directly by the Demerged Company so that the above services could be provided to the Beneficiary Company.

Net financial income/expenses

Pro-forma corrections of financial charges cause an increase of the position for a total of 3 million Euro due to the reasons listed below.

Pro-forma adjustments include the portion of costs applicable to the period for the renegotiation of the contractual terms of bonds. These additional costs, insofar as they relate to the revision of the contractual terms of existing financial debt that is not being repaid, will be allocated to the income statement using the amortised cost method over the remaining term of the bonds being renegotiated. For the purposes of pro-forma adjustments, the impact on the income statement (estimated at Euro 6 million) was determined by taking into account the average remaining term of these bonds.

With regard to the impact on net financial expenses due to lower levels of net financial debt, if the Transaction had occurred on 1 January 2015, adjustments would have been made to the pro-forma income statement of the Demerged Company solely for financial expenses related to loans made to Snam by the European Investment Bank that were taken over by the Beneficiary Company in the amount of Euro 3 million. This assumption was made in consideration of the fact that for the other lower net financial debt, the marginal cost of borrowing for repayable forms of loans identified as a function of a cost/benefit analysis is actually zero, and that any investment of surplus cash, under current market conditions, would have generated little or no income in any case.

Pro-forma adjustments also include under “Financial income”: (i) the elimination of inter-company financial income to companies that will form a part of the Italgas Group since, considering that the Transaction and concurrent repayment of inter-company loans occurred on 1 January 2015, there is no reason for this income to exist; (ii) the effect from adjusting outstanding receivables from Italgas Reti at 31 December 2015 to market value.

Income from equity investments

Pro-forma adjustments include the effect from measuring the 13.50% stake in the post-Demerger Beneficiary Company using the equity method at 31 December 2015.

Income taxes

Where applicable, the related tax effects were recognised on the pro-forma adjustments described above; these were calculated using the theoretical tax rate in effect at 31 December 2015; 27.5% for IRES and 3.9% for IRAP (4.65% if the effects are attributable to Snam).

The adjustments also include tax estimated at Euro 6 million for the taxation of transactions for the reorganisation of the corporate structure as described above.

In addition, for the purposes of the Pro-Forma Consolidated Financial Statements, it was assumed that effective 1 January 2015 the Italian subsidiaries forming a part of the Beneficiary Company would be removed from the Italian tax consolidation of the Snam Group with the concurrent theoretical initiation⁶⁰ of a new national tax consolidation scheme headed by the Beneficiary Company. However, at present it is believed that prepaid tax assets, net of the resulting deferred tax liabilities, after allocating amounts to the Italgas Group that pertain to it, will be recoverable, including in the new structure resulting from the Transaction and under the assumption of a new national tax consolidation scheme, in the same amount at which they were already recorded.

Adjustments to the consolidated statement of cash flows

The pro-forma adjustments described above for: (i) costs related to the Demerger; (ii) fees incurred to renegotiate the contractual terms of bonds; (iii) lower financial expenses related to loans provided by the EIB that are being taken over by the Beneficiary Company; and (iv) lower inter-company financial income, were reflected in the pro-forma consolidated statement of cash flows at 31 December 2015, assuming that these are settled in cash resulting in a negative effect of – Euro 74 million in total on the cash of the Post-Demerger Snam Group. Note that the above pro-forma adjustments do not include, for the sole purposes of the statement of cash flows, the related tax effects, under the assumption that the related effect on cash flows would show up in the following period.

The main pro-forma adjustments to the statement of cash flows concern total cash flow of Euro 3,045 million from the Beneficiary Company's settlement of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company, net of the amount related to the loans made by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company, and (ii) the amount of financial debt outstanding at 31 December 2015 attributed to the Italgas Group, as described in the previous paragraph concerning net financial debt. This incoming cash flow was partially offset by the outlay for the projected closure of bank lines totalling Euro 1,323 million.

With regard to the dividends, note that in 2015 Italgas Reti approved the distribution of dividends on 2014 profits totalling Euro 214 million to Snam; these were paid in the same year (2015). Pro-forma adjustments to

⁶⁰ In fact, the Beneficiary Company may actually initiate its tax consolidation scheme starting on 1 January 2016.

data of the statement of cash flows reflect the reversal of this distribution to the extent of the complementary amount of the 13.50% stake that Snam will continue to hold in the Beneficiary Company (Euro 185 million). This portion of the distribution would not have been made to Snam in the event that the Transaction occurred on 1 January 2015.

Other effects of the Transaction

Possible higher or lower costs resulting from the restructuring of activities at the corporate level of the Demerged Company were not subject to pro-forma adjustments since they are still being quantified.

7.2 Consolidated pro-forma per-share indicators for the Post-Demerger Snam Group

7.2.1 Historical and pro-forma per-share data for the Demerged Company and the group it leads

Below are the historical figures for the Snam Group at 31 December 2015 and pro-forma per-share data for the Post-Demerger Snam Group at 31 December 2015.

At 31 December 2015, Snam's share capital, which is fully paid in, consisted of 3,500,638,294 ordinary shares, and that on the same date the Company held 1,127,250 own shares.

		Consolidated financial statements of the Snam Group at 31 December 2015 (historical data)	Pro-forma data of the Post-Demerger Snam Group at 31 December 2015
Ordinary shares issued at end of period	(million)	3,500.6	3,500.6
Weighted average of shares outstanding during the period	(million)	3,499.5	3,499.5
Net profit per share	(Euro)	0.354	0.277
Shareholders' equity per share attributable to shareholders of the parent company	(Euro)	2.17	1.88
Dividend per share	(Euro per share)	0.25	-
Net cash flow per share	(Euro)	(0.02)	0.41

7.2.2 Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data

Net profit per share

This indicator was calculated by reporting the net profit attributable to the parent company's shareholders at the average number of the shares issued and outstanding. The exclusion of the operating profit attributable to Italgas Group, together with the effects of the pro-forma adjustments described above resulted in lower profit per share compared to the historical figure for the Snam Group overall.

Shareholders' equity per share attributable to shareholders of the parent company

This indicator is structured as the ratio of shareholders' equity attributable to the parent company's shareholders to the average number of shares outstanding. The value of this indicator decreased from this historical figure for the Snam Group because of the assignment of a portion of Snam's shareholders' equity to

the Italgas Group. This reduction was partially offset (as compared to historical data) by improvements in shareholders' equity resulting from the pro-forma adjustments described above.

Net cash flow per share

This indicator was determined as the ratio of net cash flow for the period to the average number of shares outstanding. The pro-forma adjustments described above, and in particular, the Beneficiary Company's repayment of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas to the Beneficiary Company, net of the amount related to loans provided by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company (Euro 1,079 million) and (ii) the amount of the net financial debt outstanding at 31 December 2015 assigned to the Italgas Group (Euro 1,966 million), partially offset by the outlay for the projected closure of bank lines totalling Euro 1,323 million, were partially offset by the loss of cash flow from operations attributed to the Italgas Group.

7.3 Pro-forma consolidated statement of financial position, income statement and statement of cash flows at 30 June 2016 of the Post-Demerger Snam Group

The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group were prepared on the basis of Snam Group's condensed interim consolidated financial statements as at 30 June 2016, prepared according to IFRS, and subject to a limited audit by the External Auditors, who issued their report on 29 July 2016.

Unless otherwise indicated, figures are presented in millions of Euros.

7.3.1 Pro-forma consolidated balance sheet as at 30 June 2016

(millions of Euro)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Post-Demerger Snam Group (F=D+E)
ASSETS						
Current assets						
Cash and cash equivalents	21	(1)		20	1,245	1,265
Trade receivables and other receivables	1,477	(462)	472	1,487	(444)	1,043
Inventories	175	(24)		151		151
Current income tax assets	30	(7)		23	(10)	13
Other current tax assets	8	(4)		4		4
Other current assets	70	(5)		65	(1)	64
	1,781	(503)	472	1,750	790	2,540
Non-current assets						
Property, plant and equipment	15,677	(226)		15,451		15,451
Compulsory inventories	363			363		363
Intangible assets	5,265	(4,465)		800		800
Investments valued using the equity method	1,337	(165)		1,172	167	1,339
Other receivables	147		1,298	1,445	(1,298)	147
Other non-current assets	159	(5)		154	(1)	153
	22,948	(4,861)	1,298	19,385	(1,132)	18,253
Non-current assets held for sale	24	(24)				
TOTAL ASSETS	24,753	(5,388)	1,770	21,135	(342)	20,793

(millions of Euro)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated balance sheet of Post-Demerger Snam Group (F=D+E)
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	1,696			1,696	(1,673)	23
Short-term portion of long-term financial liabilities	2,168			2,168		2,168
Trade payables and other payables	1,377	(312)	11	1,076	(4)	1,072
Current income tax liabilities	23	(2)		21	35	56
Other current tax liabilities	49	(8)		41		41
Other current liabilities	52		1	53		53
	5,365	(322)	12	5,055	(1,642)	3,413
Non-current liabilities						
Long-term financial liabilities	10,334			10,334	(448)	9,886
Provisions for risks and charges	946	(205)		741		741
Provisions for employee benefits	165	(116)		49		49
Liabilities for deferred taxes	352	(138)		214		214
Other non-current liabilities	335	(5)		330		330
	12,132	(464)		11,668	(448)	11,220
Liabilities directly associated with assets held for sale	6	(6)				
TOTAL LIABILITIES	17,503	(792)	12	16,723	(2,090)	14,633
SHAREHOLDERS' EQUITY						
Share capital issued and reserves attributable to shareholders of the parent company	7,249	(4,595)	1,758	4,412	1,748	6,160
Minority interests	1	(1)				
TOTAL SHAREHOLDERS' EQUITY	7,250	(4,596)	1,758	4,412	1,748	6,160
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,753	(5,388)	1,770	21,135	(342)	20,793

7.3.2 Pro-forma consolidated income statement for the year ended 30 June 2016

	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re-establishment of inter-company components (C)	Post-Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated income statement of Post-Demerger Snam Group (*) (F=D+E)
(millions of Euro)						
REVENUE						
Core business revenue	1,827	(639)	34	1,222	(34)	1,188
Other revenue and income	34	(13)		21	11	32
	1,861	(652)	34	1,243	(23)	1,220
OPERATING COSTS						
Purchases, services and other costs	(362)	201	(1)	(162)	13	(149)
Personnel expense	(185)	105	(7)	(87)	9	(78)
	(547)	306	(8)	(249)	22	(227)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(447)	142		(305)		(305)
EBIT	867	(204)	26	689	(1)	688
FINANCIAL INCOME (EXPENSE)						
Financial expense	(178)	7		(171)	(1)	(172)
Financial income	4		22	26	102	128
Derivatives	(2)			(2)		(2)
	(176)	7	22	(147)	101	(46)
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Effect of valuation using the equity method	64	(9)		55	4	59
	64	(9)		55	4	59
PRE-TAX PROFIT	755	(206)	48	597	104	701
Income taxes	(229)	44		(185)	(39)	(224)
Net profit	526	(162)	48	412	65	477
Applicable to:						
- Shareholders of parent company	526	(162)	48	412	65	477
- Minority interests						

(*) The pro-forma net profit of the Post-Demerger Snam Group includes non-recurring items, net of the related tax effect of Euro +92 million, mainly represented by (i) Euro 124 million (Euro +85 million net of the related tax effect) from financial income resulting from adjusting outstanding receivables from the Italgas Reti Group at 30 June 2016 to market value; (ii) Euro 1 million (Euro 1 million net of the related tax effect) from ancillary costs directly related to the Transaction. These expenses are added to the amount already posted to the income statement in the first half of 2016 of a total of €5 million, €3 million net of the related tax effect (see Paragraph 7.1.4); (iii) the taxation of transactions for the reorganisation of the corporate structure totalling €(6) million.

7.3.3 Pro-forma consolidated statement of cash flows for the year ended 30 June 2016

(millions of Euro)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of Post-Demerger Snam Group (F=D+E) (*)
Net profit	526	(162)	48	412	65	477
Adjustments for reconciling net profit with cash flows from operating activities:						
Total amortisation and depreciation	447	(142)		305		305
Effect of valuation using the equity method	(64)	9		(55)	(4)	(59)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	15	(9)		6		6
Interest income	(3)		(22)	(25)	(102)	(127)
Interest expense	159			159	(2)	157
Income taxes	229	(44)		185	39	224
Changes in working capital:						
- Inventories	8	5		13		13
- Trade receivables	432	(182)	15	265		265
- Trade payables	(86)	(23)	(1)	(110)	(4)	(114)
- Provisions for risks and charges	18	(13)		5		5
- Other assets and liabilities	(205)	129	1	(75)	2	(73)
<i>Working capital cash flow</i>	<i>167</i>	<i>(84)</i>	<i>15</i>	<i>98</i>	<i>(2)</i>	<i>96</i>
Change in provisions for employee benefits	(1)			(1)		(1)
Dividends collected	102			102	37	139
Interest collected	1		22	23	(22)	1
Interest paid	(159)			(159)	2	(157)
Income taxes paid net of reimbursed tax credits	(219)	66	11	(142)		(142)
Net cash flow from operating activities	1,200	(366)	74	908	11	919

(millions of Euro)	Consolidated financial statements as at 30 June 2016 Snam Group (A)	Minus: elements assigned to the Italgas Group (B)	Re- establishment of inter- company components (C)	Post- Demerger aggregate (D=A+B+C)	Pro-forma adjustments (E)	Pro-forma consolidated statement of cash flows of Post-Demerger Snam Group (F=D+E) (*)
Net cash flow from operating activities	1,200	(366)	74	908	11	919
Investments:						
- Property, plant and equipment	(343)	3		(340)		(340)
- Intangible assets	(156)	137		(19)		(19)
- Equity investments	(26)			(26)		(26)
- Financial receivables held for operations	(69)		7	(62)		(62)
- Change in payables and receivables relating to investments	(100)	45		(55)		(55)
<i>Cash flow from investments</i>	<i>(694)</i>	<i>185</i>	<i>7</i>	<i>(502)</i>		<i>(502)</i>
Divestments:						
- Equity investments	2			2		2
Financial receivables held for operating activities					1,134	1,134
- Companies leaving the scope of consolidation and business units					1,503	1,503
<i>Cash flow from divestments</i>	<i>2</i>			<i>2</i>	<i>2,637</i>	<i>2,639</i>
Net cash flow from investment activities	(692)	185	7	(500)	2,637	2,137
Assumption of long-term financial debt	370			370	(21)	349
Repayment of long-term financial debt	(338)			(338)		(338)
Increase (decrease) in short-term financial debt	339			339	(1,673)	(1,334)
Financial receivables not held for operations			101	101	308	409
	371		101	472	(1,386)	(914)
Dividends paid to Snam shareholders	(875)			(875)		(875)
Net cash flow from financing activities	(504)		101	(403)	(1,386)	(1,789)
Net cash flow for the period	4	(181)	182	5	1,262	1,267
Cash and cash equivalents at the beginning of the period	17	(2)		15		15
Cash and cash equivalents at the end of the period (**)	21	(183)	182	20	1,262	1,282

(*) The pro-forma net cash flow for the period of the Post-Demerger Snam Group includes non-recurring additions to net cash flows of €1,245 million, mainly represented by the collection of existing receivables from the Italgas Reti Group net of the repayment of bank lines of €1,272 million (see Paragraph 7.3.4 below for additional information).

The pro-forma statement of cash flows includes effects not taken into account when preparing the pro-forma balance sheet totalling €17 million, since the pro-forma adjustments were calculated on the basis of the general rule that transactions relating to the pro-forma balance sheet are assumed to have occurred as at 30 June 2016, while those relating to the pro-forma income statement and statement of cash flows are assumed to have occurred on 1 January 2016.

(**) The amounts recorded under “Cash and cash equivalents at the end of the period” in columns B and C of the statement of cash flows are to be read collectively in order to associate the sum of these amounts to the total of cash attributed to the Italgas Group indicated in column B of the pro-forma balance sheet in Paragraph 7.3.1.

7.3.4 Notes to the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 30 June 2016

Elements of the balance sheet, income statement and statement of cash flows assigned to the Italgas Group (column B)

This column reflects the impact of the partial and proportional Demerger of Snam to the Beneficiary Company on consolidated data through Snam's allocation of a portion of its assets, represented by the net assets related to natural gas distribution in Italy.

Re-establishment of inter-company components (column C)

This column reflects the re-establishment of asset and liability transactions as well as positive and negative income and cash flow components attributable to transactions carried out between companies of the Group whose holding company is the Demerged Company and companies of the Group whose holding company is the post-Demerger Beneficiary Company, considering that, as a result of the Transaction, the reasons for the elimination of these transactions no longer apply since they can no longer be qualified as inter-company transactions. Specifically, these are mainly relationships resulting from the following types of transactions:

- revenues/receivables for services provided centrally by Snam or by companies remaining under the scope of the Post-Demerger Snam Group to companies that will go on to form the scope of the Italgas Group, with special reference to the provision of services involving legal affairs, HSEQ, ICT, personnel and organisation; regulation; industrial relations and communication, security, general and property services; enterprise risk management; auditing; procurement;
- costs/payables for the lease of properties and for the secondment of staff on the payroll of companies that will form a part of the Italgas Group to companies that will remain a part of the Post-Demerger Snam Group;
- loans provided by Snam to companies that will form a part of the Italgas Group, and inter-company asset/liability balances under the Group's cash pooling agreement between Snam and companies that will form a part of the Italgas Group;
- financial income/receivables (and/or expenses/payables) related to interest income/expenses on cash pooling balances and chargebacks for financial services involving the centralised management of treasury services, and financial income/receivables related to interest income on loans provided by Snam to companies that will form a part of the Italgas Group;
- receivables/payables for the Group's tax consolidation and VAT payment schemes.

Pro-forma adjustments (column E)

This column reflects the pro-forma adjustments (column E) applied to the aggregate post-Demerger data of the Snam Group to indicate the impact of the Transaction described above.

In accordance with the above-mentioned principle of continuity of amounts, which resulted in leaving the net assets within the purview of the Italgas Group unchanged, no capital gains and/or losses were reported in the income statement as a result of the Transaction.

Adjustments to the consolidated balance sheet

Investments valued using the equity method

As noted above, the reorganisation of the corporate structure will allow the Demerged Company to hold a 13.5% stake in the post-Demerger Beneficiary Company. This stake is initially recorded at Euro 167 million, equal to the 13.50% share of the post-Demerger pro-forma shareholders' equity of the Italgas Group.

Net financial debt

The pro-forma adjustments, reported in the items “Cash and cash equivalents”, “Short-term financial liabilities” and “Long-term financial liabilities” of the Statement of Financial Position at 30 June 2016, created a total decrease in the net financial debt equal to Euro 3,366 million (of which 1,245 million was due to greater cash and cash equivalents and Euro 2,121 million with regard to the reduction of financial debt), as a result of the effects due to:

- (i) the settlement by the Beneficiary Company, assumed to occur when the Transaction goes into effect, of (a) the debt value as at 30 June 2016 attributed to Italgas Group (Euro 1,866 million), as well as (b) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company (Euro 1,503 million), of which Euro 424 million, corresponding to the amount related to loans provided to Snam by the European Investment Bank (EIB), shall be settled by assumption by the Beneficiary Company;
- (ii) the payment of ancillary costs directly related to the Transaction amounting to €5 million;
- (iii) the reduction of the bonds due to the adjustment made in accordance with the application of the amortised cost method resulting from the recording of fees paid to the bondholders who approved the Transaction at the Snam shareholders' meeting; an adjustment equal to the amount of the fees was made to reduce cash by the related outlay.

Current income tax assets and liabilities

Pro-forma adjustments include the tax effect connected with (i) the adjustment of outstanding receivables from Italgas Reti at 30 June 2016 to market value; (ii) the taxation of transactions to reorganise the corporate structure as described above.

Adjustments to the consolidated income statement

Costs related to the Demerger

The pro-forma adjustments include ancillary costs directly attributable to the Transaction. These expenses are added to the amount already posted to the income statement in the first half of 2016 (Euro 4 million) for an

estimated total amount of Euro 5 million (Euro 3 million net of the related tax effect). Specifically, this is an estimate of costs incurred for services rendered by legal, tax and accounting advisors.

Provision of services

With regard to services provided between the companies of the Post-Demerger Snam Group and the Italgas Group, in the pro-forma adjustments, inter-company revenues were reversed that correspond to services provided to date by the Demerged Company, for which it is assumed that the costs incurred will be borne directly by the Beneficiary Company (Euro 23 million). As a result, personnel and service costs of the same amount were reversed that were incurred to date directly by the Demerged Company so that the above services could be provided to the Beneficiary Company.

Net financial income/expenses

Pro-forma corrections of financial charges cause an increase of the position for a total of 1 million Euro due to the reasons listed below.

Pro-forma adjustments include the portion of costs applicable to the period for the renegotiation of the contractual terms of bonds. These additional costs, insofar as they relate to the revision of the contractual terms of existing financial debt that is not being repaid, will be allocated to the income statement using the amortised cost method over the remaining term of the bonds being renegotiated. For the purposes of pro-forma adjustments, the impact on the income statement (estimated at Euro 3 million) was determined by taking into account the average remaining term of these bonds.

With regard to the impact on net financial expenses due to lower levels of net financial debt, if the Transaction had occurred on 1 January 2016, adjustments would have been made to the pro-forma income statement of the Demerged Company solely for financial expenses related to loans made to Snam by the European Investment Bank that were taken over by the Beneficiary Company in the amount of Euro 2 million. This assumption was made in consideration of the fact that for the other lower net financial debt, the marginal cost of borrowing for repayable forms of loans identified as a function of a cost/benefit analysis is actually zero, and that any investment of surplus cash, under current market conditions, would have generated little or no income in any case.

Pro-forma adjustments also include under “Financial income”: (i) the elimination of inter-company financial income to companies that will form a part of the Italgas Group since, considering that the Transaction and concurrent repayment of inter-company loans occurred on 1 January 2016, there is no reason for this income to exist; (ii) the effect from adjusting outstanding receivables from Italgas Reti at 30 June 2016 to market value.

Income from equity investments

Pro-forma adjustments include the effect from measuring the 13.50% stake in the post-Demerger Beneficiary Company using the equity method at 30 June 2016.

Income taxes

Where applicable, the related tax effects were recognised on the pro-forma adjustments described above; these were calculated using the theoretical tax rate in effect at 30 June 2016; 27.5% for IRES and 3.9% for IRAP (4.65% if the effects are attributable to Snam).

The adjustments also include tax estimated at Euro 6 million for the taxation of transactions for the reorganisation of the corporate structure as described above.

In addition, for the purposes of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group, it was assumed that effective 1 January 2016 the Italian subsidiaries forming a part of the Beneficiary Company would be removed from the Italian tax consolidation of the Snam Group with the concurrent theoretical initiation of a new national tax consolidation scheme headed by the Beneficiary Company. However, at present it is believed that prepaid tax assets, net of the resulting deferred tax liabilities, after allocating amounts to the Italgas Group that pertain to it, will be recoverable, including in the new structure resulting from the Transaction and under the assumption of a new national tax consolidation scheme, in the same amount at which they were already recorded.

Adjustments to the consolidated statement of cash flows

The pro-forma adjustments described above mainly for: (i) expenses related to the Demerger; (ii) fees incurred to renegotiate the contractual terms of bonds; (iii) lower financial expenses related to loans provided by the EIB that are being taken over by the Beneficiary Company; and (iv) lower inter-company financial income, were reflected in the pro-forma consolidated statement of cash flows at 30 June 2016, assuming that these are settled in cash resulting in a negative effect of Euro (47) million in total on the cash of the Post-Demerger Snam Group. Note that the above pro-forma adjustments do not include, for the sole purposes of the statement of cash flows, the related tax effects, under the assumption that the related effect on cash flows would show up in the following period.

The main pro-forma adjustments to the statement of cash flows concern total cash flow of (Euro 2,945 million) from the Beneficiary Company's settlement of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas Reti to the Beneficiary Company, net of the amount related to the loans made by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company, and (ii) the amount of financial debt outstanding at 30 June 2016 attributed to the Italgas Group, as described in the previous paragraph concerning net financial debt. This incoming cash flow was partially offset by the outlay for the projected closure of bank lines totalling Euro 1,673 million.

With regard to the dividends, note that in the first half of 2016 Italgas Reti did not approve the distribution of dividends on 2015 profits. Pro-forma adjustments to data of the statement of cash flows reflect the forecast of this distribution of the 2015 profits⁶¹ to the extent of the 13.50% stake that Snam will continue to hold in the

⁶¹ On 18 July 2016 the Shareholders' Meeting of Italgas Reti approved the distribution of a dividend equal to Euro 274,563,390.96. Snam collected the above-mentioned dividend in July.

Beneficiary Company (Euro 37 million). This portion of the distribution would have been made to Snam in the event that the Transaction occurred on 1 January 2016.

Other effects of the Transaction

Possible higher or lower costs resulting from the restructuring of activities at the corporate level of the Demerged Company were not subject to pro-forma adjustments since they are still being quantified.

7.4 Consolidated pro-forma per-share indicators for the Post-Demerger Snam Group at 30 June 2016

7.4.1 Historical and pro-forma per-share data for the Demerged Company and the group it leads

Below are the historical figures for the Snam Group at 30 June 2016 and pro-forma per-share data for the Post-Demerger Snam Group at 30 June 2016.

At 30 June 2016, Snam’s share capital, which is fully paid in, consisted of 3,500,638,294 ordinary shares, and that on the same date the Company held 1,127,250 own shares.

		Consolidated financial statements of the Snam Group at 30 June 2016 (historical data)	Pro-forma data of the Post-Demerger Snam Group at 30 June 2016
Ordinary shares issued at end of period	(million)	3,500.6	3,500.6
Weighted average of shares outstanding during the period	(million)	3,499.6	3,499.6
Net profit per share	(Euro)	0.150	0.136
Shareholders’ equity per share attributable to shareholders of the parent company	(Euro)	2.07	1.76
Net cash flow per share	(Euro)	0.0014	0.36

7.4.2 Summary comments on significant changes in pro-forma per-share indicators compared to historical per-share data

Net profit per share

This indicator was calculated by reporting the net profit attributable to the parent company’s shareholders at the average number of the shares issued and outstanding. The exclusion of the operating profit attributable to Italgas Group, together with the effects of the pro-forma adjustments described above resulted in lower profit per share compared to the historical figure for the Snam Group overall.

Shareholders’ equity per share attributable to shareholders of the parent company

This indicator is structured as the ratio of shareholders’ equity attributable to the parent company’s shareholders to the average number of shares outstanding. The value of this indicator decreased from this historical figure for the Snam Group because of the assignment of a portion of Snam’s shareholders’ equity to the Italgas Group. This reduction was partially offset (as compared to historical data) by improvements in shareholders’ equity resulting from the pro-forma adjustments described above.

Net cash flow per share

This indicator was determined as the ratio of net cash flow for the period to the average number of shares outstanding. The pro-forma adjustments described above, and in particular, the Beneficiary Company's repayment of (i) the receivable generated for the Demerged Company following the Sale of 38.87% of the equity investment held by Snam in Italgas to the Beneficiary Company, net of the amount related to loans provided by the European Investment Bank (EIB) that are being taken over by the Beneficiary Company (Euro 1,079 million) and (ii) the amount of the net financial debt outstanding at 30 June 2016 assigned to the Italgas Group (Euro 1,866 million), partly offset by the outlay for the projected closure of bank lines totalling Euro 1,673 million, were partially offset by the loss of cash flow from operations attributed to the Italgas Group.

7.5 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group

7.5.1 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 31 December 2015

The External Auditors' report concerning the examination of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 31 December 2015 issued on 9 September 2016 is attached to this Information Document.

Note that, as previously indicated in Paragraph 4.1, the Post-Demerger Snam Group Pro-Forma Consolidated Financial Statements at 31 December 2015 (and the notes) are consistent with those in the Snam Information Document prepared pursuant to Art. 70, paragraph 6 of the Issuers' Regulation published on 5 July 2016.



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Independent auditors' report on the examination of the
pro forma consolidated financial statements of the Post-Demerger Snam Group
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with the listing of Italian companies that, when unaudited pro forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro forma financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation of the Information Document by ITG Holding S.p.A. and Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the listing of ordinary shares of ITG Holding S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro forma financial information of Snam S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We examined the pro forma consolidated balance sheet, income statement and cash flow statement (the "Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group") accompanied by the explanatory notes of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") as of and for the year ended 31 December 2015.

Such Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group derive from the historical financial information related to the consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro forma adjustments applied to such financial information and examined by us.

The consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015 have been audited by us and we have issued our auditors' report on 5 April 2016.

The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the proportional partial demerger of Snam in favour of ITG Holding S.p.A., company that will change its corporate name into Italgas S.p.A., ("ITG Holding" and, together with Italgas S.p.A., company that will change its corporate name into Italgas Reti S.p.A., and its subsidiaries, the "ITG Holding Group") and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta all'Albo Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997

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2. The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group, accompanied by the explanatory notes, have been prepared pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

The scope of the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated balance sheet of the Snam Group, as if such Transaction virtually occurred on 31 December 2015 and, with respect to the economic and financial effects only, at the beginning of the year 2015. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group are the responsibility of Snam's Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.
4. In our opinion, the assumptions adopted by Snam for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group as of and for the year ended 31 December 2015, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are reasonable and the methodology utilized for the preparation of the above mentioned financial information has been properly applied for the information purpose described above. Finally, we believe that the valuation criteria and the accounting principles have been properly applied for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group.

Turin, 9 September 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

7.5.2 Report of the External Auditors on pro-forma data from the balance sheet, income statement and statement of cash flows of the Post-Demerger Snam Group at 30 June 2016

The External Auditors' report concerning the examination of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group at 30 June 2016 issued on 9 September 2016 is shown below.



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Independent auditors' report on the examination of the
pro forma consolidated financial statements of the Post-Demerger Snam Group
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with the listing of Italian companies that, when unaudited pro forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro forma financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation of the Information Document by ITG Holding S.p.A. and Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the listing of ordinary shares of ITG Holding S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro forma financial information of Snam S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We examined the pro forma consolidated balance sheet, income statement and cash flow statement (the "Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group") accompanied by the explanatory notes of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") as of and for the six months ended 30 June 2016.

Such Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group derive from the historical financial information related to the condensed consolidated financial statements of the Snam Group as of and for the six months ended 30 June 2016, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro forma adjustments applied to such financial information and examined by us.

The condensed consolidated financial statements of the Snam Group as of and for the six months ended 30 June 2016 have been reviewed by us and we have issued our review report on 29 July 2016.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we did not express an audit opinion on the condensed interim consolidated financial statements at 30 June 2016 of the Snam Group.

The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group have been prepared on the basis of the assumptions described in the explanatory notes to retroactively

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reflect the effects of the proportional partial demerger of Snam in favour of ITG Holding S.p.A., company that will change its corporate name into Italgas S.p.A., ("ITG Holding" and, together with Italgas S.p.A., company that will change its corporate name into Italgas Reti S.p.A., and its subsidiaries, the "ITG Holding Group") and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

2. The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group, accompanied by the explanatory notes, have been prepared pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

The scope of the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated balance sheet of the Snam Group, as if such Transaction virtually occurred on 30 June 2016 and, with respect to the economic and financial effects only, at the beginning of the year 2016. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

The Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group are the responsibility of Snam's Directors. Our responsibility is to express a conclusion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express a conclusion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.
4. Based on the work performed, nothing has come to our attention which causes us to believe that the assumptions adopted by Snam for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group as of and for the year ended 30 June 2016, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are not reasonable, the methodology utilized for the preparation of the above mentioned financial information has not been properly applied for the information purpose described above and that, finally, the valuation criteria and the accounting principles applied for the preparation of the Pro Forma Consolidated Financial Statements of the Post-Demerger Snam Group are not adequate.

Turin, 9 September 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

8. OUTLOOK FOR THE DEMERGED COMPANY AND THE GROUP IT LEADS

8.1 Information on the business performance of Snam and the Snam Group since the end of 2015

As announced in Snam's 27 July 2016 press release regarding the results for the first half of 2016 (see the latter for details), and in line with the expectations of the Demerged Company, results for the first half of 2016 mainly reflect the impact of the reduction in WACC (Weighted Average Cost of Capital) set by the new regulatory period.

Below are financial highlights for the period and the main comments on their change during the period:

<i>Financial highlights</i> (millions of Euro)	First half		Change	% change
	2015	2016		
Total revenue (a)	1,837	1,724	(113)	(6.2)
- of which from regulated activities	1,722	1,644	(78)	(4.5)
Operating costs (a)	403	410	7	1.7
EBITDA	1,434	1,314	(120)	(8.4)
EBIT	1,012	867	(145)	(14.3)
Net profit (b)	612	526	(86)	(14.1)
EBIT per share (c)	(Euro) 0.289	0.248	(0.041)	(14.2)
Net profit per share (c)	(Euro) 0.175	0.150	(0.025)	(14.3)
Technical investments	487	526	39	8.0
Number of shares outstanding at the end of the period	(million) 3,499.5	3,499.5		
Average number of shares outstanding during the period	(million) 3,499.5	3,499.5		

(a) Net of revenue from the construction and upgrading of natural gas distribution infrastructure, entered according to IFRIC 12 and posted in an amount equal to the related costs incurred (€122 and €137 million, respectively, for the first half of 2015 and 2016).

(b) Net profit is attributable to Snam.

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

Total revenue

Regulated revenues reflect the entry into force of the new regulatory period which involved, among other things, the revision of the net invested capital remuneration rate (WACC – Weighted Average Cost of Capital). Regulated revenues, net of components which are offset in costs, stand at Euro 1,644 million, down Euro 78 million, equal to 4.5% mainly following the reduction in WACC for 2016 which affected the natural gas transportation and distribution sectors. This effect was partly absorbed by the greater regulated revenues of the storage sector, which benefited from an improvement in the WACC for 2016 compared with the one set for 2015, the first year of the fourth regulation period.

Total revenues for the first half of 2016 amounted to Euro 1,724 million, down by Euro 113 million (-6.2%) compared with the first half of 2015. Regulated revenues net of components offset in costs and total revenues for the first half of 2016 amounted to Euro 1,668 million, down by Euro 95 million, or 5.4%, compared with the same period of the previous year.

The reduction in revenues also contributed to the decrease in non-regulated revenues (Euro -17 million), essentially attributable to lower income from sales of natural gas no longer functional for operating activities.

EBIT

EBIT for the first half of 2016 mainly reflects the dynamics of revenues, attributable to the revision of the WACC, the dynamics of provision for risks and charges as well as costs associated with the separation of Italgas Reti from Snam. EBIT totalled Euro 867 million, a reduction of Euro 145 million, equal to 14.3% compared with the first half of 2015. The reduction is due to lower revenue (Euro -95 million; -5.4%), greater operating costs (Euro -25 million, net of components offset in revenues; of 7.6%), attributable to the distribution sector, and to the increase in amortisation and depreciation for the period (Euro -25 million, or 5.9%) due essentially to new infrastructures coming into service.

With regard to the operating sectors, the reduction reflects the performance of the transportation (-12.9%; Euro -76 million) and distribution sectors (-28.2%; Euro -70 million, of which Euro 31 million is attributable to greater net provision for risks and charges), partly offset by the positive performance recorded in the storage sector (+5.9%; Euro +10 million).

Net profit

Net profit in the first half of 2016 stood at Euro 526 million, a reduction of Euro 86 million, equal to 14.1% compared with the first half of 2015. The reduction was due mainly to the fall in operating profit (Euro -145 million) and lower income from investments valued using the equity method (Euro -5 million). These factors were partly offset by lower net financial expenses (Euro +10 million; 5.4%), following lower expenses related to the net financial debt (Euro +20 million; 10.4%), which benefited from a reduction in the average cost of debt, and the reduction in income taxes (Euro +54 million; 19.1%) due mainly to the lower pre-tax profit.

Technical investments

Technical investments for the first half of 2016 totalled Euro 526 million (Euro 487 million in the first half of 2015) and refer essentially to the natural gas transportation sector (Euro 319 million; Euro 278 million in the first half of 2015), distribution sector (Euro 152 million; Euro 142 million in the first half of 2015) and storage sector (Euro 51 million; Euro 62 million in the first half of 2015).

Net financial debt

Net financial debt was Euro 14,177 million as at 30 June 2016, compared with Euro 13,779 million as at 31 December 2015. The net cash flow from operating activities (Euro 1,200 million) allowed us to fully cover the financial requirements associated with net investments for the period (Euro 692 million) and to generate a free cash flow (cash advance remaining after funding investments) of Euro 508 million. The net financial debt at 30 June 2016, after the payment to shareholders of the 2015 dividend of Euro 875 million, increased by Euro 398 million compared with 31 December 2015.

8.2 Outlook for the current year

As announced on the occasion of the presentation of results for the first half of 2016, and 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 essentially 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 essentially in line with 2015 for the same scope of activities. Snam confirms its focus on operational efficiency through initiatives that will, in the five-year period 2016-2020, allow the level of controllable fixed costs of the post-Demerger scope to be kept essentially constant in real terms, taking into account the same perimeter.

Assuming that the Demerger Effective Date is 31 December 2016, for the current year there would be no significant effects on the income statement of the Demerged Company and the Group it leads. If the Transaction were to occur on an earlier date, the above effects would be seen starting on that date.

8.3 Forecast Data

On 28 June 2016, the Board of Directors of Snam approved the strategic plan defining the strategic guidelines and the targets of the Post-Demerger Snam Group for a period of five years, from 2016 to 2020 (the “Post-Demerger Snam Strategic Plan”).

The separation of Italgas Reti from Snam is aimed at strengthening both companies and producing benefits for all the shareholders, also considering the differences in the businesses in which the above-mentioned companies operate and the different development opportunities which may arise in the context of their respective businesses.

Thanks to the synergic and integrated management of its transportation, LNG and storage businesses, Snam deems to be able to contribute significantly to the creation of the single energy market, strengthening its leadership in Europe. Snam, also in light of the financial flexibility from which it will benefit further to the separation of Italgas Reti and the applicable regulatory context, will be able to focus on organic investments and pursue further development opportunities in Italy and Europe to improve its growth profile. The above is expected to be implemented simultaneously maintaining, at the same time, a rigorous discipline and solid financial structure, elements which have always characterised Snam’s business. The Transaction may be qualified as neutral in terms of Snam’s credit rating; in this regard, following the announcement of the Transaction and taking into account the relevant effects, the rating agencies Fitch, Moody’s and S&P’s confirmed their ratings of Snam. Snam will also keep a 13.50% stake in Italgas Reti - regulated by the Shareholders’ Agreement between Snam, CDP Reti and CDP Gas - which will enable it to benefit also from the creation of value arising from the future growth of opportunities of Italgas Reti in the distribution business.

The Post-Demerger Snam Strategic Plan is the result of a prospective simulation of the economic and financial parameters of the Post-Demerger Snam Group, and was prepared on the basis of the historical data of the Snam Group as of 31 December 2015 and representing the scope of the Italgas Group from 1 January 2016 on a pro-forma basis.

The Post-Demerger Snam Strategic Plan envisages targets identified on the basis of a substantial continuity of the current regulatory framework and the results of management’s initiatives or the Forecast Data.

The Forecast Data is based on hypotheses relating to future events and actions including, *inter alia*, general and hypothetical assumptions regarding future events - influenced by risks and uncertainties characterising the current macroeconomic scenario - actions that may not occur and events or other factors that may impact the trend of the main economic and financial parameters of Snam, and which the directors and the management of Snam cannot influence, or can only partially influence, collectively the Hypothetical Assumptions.

In particular, these Hypothetical Assumptions envisage, *inter alia*:

- i) the positive completion of all steps of the Transaction, including the admission to trading of the shares of Italgas on the MTA, organised and managed by Borsa Italiana;
- ii) the successful outcome of the refinancing on the market of the Italgas Group;
- iii) the confirmation of the forecasts relating to the demand for natural gas in Italy in the medium-long term;
- iv) the renewal of Stogit's concessions related to the storage plants after their expiration; and
- v) the expected developments in the applicable regulatory framework.

In addition, the hypotheses relating to the evolution of the macroeconomic and regulatory scenario, and the dynamics of the reference rates on which the Post-Demerger Snam Strategic Plan is based, have been prepared using the forecasts currently available, based on the knowledge, experience and assessments developed by the Snam Group. Specifically, the Forecast Data has been prepared assuming an average annual inflation rate of approximately 1% over the period of the plan, in order to update the RAB value. Furthermore, the Post-Demerger Snam Strategic Plan has been developed on the basis of the current competitive market position.

Given the uncertainty relating to the occurrence of any future events and the extent and timing thereof, the differences between the historical figures and the Forecast Data could be significant, even if the forecasted events included in the Hypothetical Assumptions will occur.

Summary of the guidelines and growth targets

In the 2016-2020 period, the post-Demerger Snam plans investments for a total of Euro 4.3 billion, of which Euro 0.9 billion in 2016 is to support the development of the Italian infrastructure and its relation with European infrastructure, strengthening, *inter alia*, the safety, flexibility and liquidity of the whole gas system. The target is expected to be achieved by strengthening the transportation network and creating further storage capacity in Italy, which will, in turn, enable the creation of additional reverse flow capacity towards other European countries, and open new flows from the Caspian region through the TAP gas pipeline.

In particular, investments of approximately Euro 3.8 billion over the life of the plan are envisaged in the LNG and transportation businesses, not only to ensure the safety and reliability of the network, but also to meet the quantity and diversification requirements of supplies, for the benefit of the Shippers and the end users. The North West of Italy represents one of the areas of major interest, where the completion of the projects to ensure flexibility and security in the procurement, and to create additional output capacity, which is partially already implemented, is envisaged.

In the storage business, the planned investment in the period 2016-2020 is Euro 0.5 billion, to increase modulation and peak capacity, improving the overall flexibility and liquidity of the system and promoting further opportunities for gas trading. These improvements are primarily influenced by the progressive start-up of the Bordolano site (Cremona).

In light of the above-mentioned investments and assuming an average annual inflation rate of approximately 1%, in the period of the plan, the consolidated RAB of the transportation, LNG and storage businesses is estimated to grow at an annual average rate of approximately 1%, compared to the Euro 19.2 billion estimated at the end of 2015.

Snam will be able to leverage on its international subsidiaries to promote increasing interconnection between European infrastructure systems, and develop greater diversification and flexibility of gas flows, while at the same time maximising the profitability of its assets.

Snam, applying a selective approach and its financial policy, will monitor new opportunities to invest in infrastructure assets, including at the European level, with a risk profile in line with the one of its current business portfolio.

In addition, Snam plans to develop new market services considering the national regulatory framework in order to increase the quality of its commercial offering to Shippers and to create benefits for the end-consumers, lowering system costs.

In a medium-long term perspective, Snam is focused on new uses of natural gas, such as the transformation of biogas into biomethane, power to gas, and the development of the logistics to use liquefied natural gas and compressed natural gas.

With reference to its transportation, LNG and storage businesses, Snam plans to maintain its focus on operating activity: the inertial increase in structural costs related to the Demerger and the inflationary effect are expected to be substantially offset by new efficiency measures. The fixed costs are expected to remain substantially stable in real terms in the period of the plan, taking into account the same perimeter.

The plan thus provides for an increase in net profits, as compared to the estimated pro-forma value for 2016 of approximately Euro 0.8 billion, as a result of several factors which are not entirely under the management's control, such as the expected growth of RAB, the achievement of operational efficiencies and the growing income from subsidiaries, which from 2020 are likely to benefit also from TAP, as well as the expected reduction in financial costs.

Lastly, as far as the remuneration policy for shareholders is concerned, Snam is planning the distribution of a dividend per share (DPS) for 2016 of 21 Euro cents, which is expected to increase by 2.5% per year for 2017 and 2018. On 1 August 2016, the Snam shareholders' meeting, called in ordinary session, approved authorisation to purchase treasury shares, pursuant to Art. 2357 and 2357-ter of the Italian Civil Code and 132 of the TUF (Consolidated Finance Act) for an outlay of up to Euro 500 million and up to a maximum limit of 3.5% of the Snam Post-Demerger share capital. This is to take place in tranches within 18 months of the Demerger Effective Date and in accordance with the methods put forward in the Report of the Board of Directors to the Shareholders' Meeting. This programme provides for additional flexibility to optimise the capital structure and support the total remuneration of the shareholders. This programme will be implemented once the specific opportunities for growth and value creation as well as the evolution of the financial position will be assessed.

For more information on the evolution of the Forecast Data provided, please refer to the press release on the 2016-2020 Strategic Plan of Snam issued on 29 June 2016, and to “2016-2020 Strategy and Targets” presentation made available to the public on the website www.snam.it.

8.4 External Auditors’ report on Forecast Data

On 26 October 2016, External Auditors issued its report on the Forecast Data of the Snam Group, included in the Information Document, illustrated below.



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Independent Auditors' Report on the examination of prospective financial information
In accordance with Article 13.2 of Annex I to the Commission Regulation (EC) N° 809/2004
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n° 809/2004, adopted by CONSOB in Italy with CONSOB Regulation n° 11971/99, as amended, for the preparation of the information memorandum (the "Information Document") in connection with the listing of Italian companies requires that, when forecasts or estimates are presented, the Informational Document contain "a report prepared by the independent auditors stating that in their opinion the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the International Auditing and Assurance Standards Board ("IAASB") of IFAC -International Federation of Accountants.

Accordingly, an independent auditors' report on the examination of the prospective financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation by Italgas S.p.A. and Snam S.p.A. of the Information Document, pursuant to Article 57 of the Regulation adopted by CONSOB with Resolution no. 11971/99 and subsequent changes in application of Legislative Decree n. 58/98 as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies for the listing of ordinary shares of Italgas S.p.A. resulting from the proportional partial demerger of Snam S.p.A. in favour of Italgas S.p.A..

The following is the English language translation of the original Italian independent auditors' report on the examination of the prospective financial information of Snam S.p.A. under the above mentioned Italian Regulation, in accordance with Article 13.2 of Annex I to the Commission Regulation (EC) N° 809/2004, adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies and cannot be used, in whole or part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We have examined the prospective financial information included in the strategic plan that defines the strategic guidelines and targets, together with the assumptions and elements on which they are based, of Snam S.p.A. (the "Company" or "Snam") and its subsidiaries upon completion of the proposed proportional partial demerger of Snam in favour of Italgas S.p.A. (the "Post-Demerger Snam Group"), for the period of five years from 2016 to 2020 (the "Post-Demerger Snam Strategic Plan" or the "Strategic Plan"). The Board of Directors of the Company approved the Strategic Plan on 28 June 2016, which reports: (i) investments over the period 2016-2020 for a total of Euro 4.3 billion, of which Euro 0.9 billion in 2016; (ii) growth of the consolidated Regulatory Asset Base ("RAB") of the transportation, LNG and storage businesses at an annual average rate of approximately 1%, compared to Euro 19.2 billion estimated at the end of 2015; and (iii) increase in net profit, as compared to the estimated pro-forma 2016 amount of approximately Euro 0.8 billion (the "Forecast Data"). The Forecast Data, the assumptions and the elements on which they are based are included in Paragraph 8.3 "Forecast Data" of the information document (the "Information Document") related to the listing of ordinary shares of Italgas S.p.A. ("Italgas" and together with Italgas Reti S.p.A. and its subsidiaries the "Italgas Group") resulting from the proportional partial demerger of Snam in favour of Italgas S.p.A. (the "Transaction"). The Forecast Data and the related assumptions and elements set forth in the Information Document, as well as the preparation of the Strategic Plan, are the responsibility of Snam's directors and were prepared on the basis of the consolidated financial information of

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- Snam as of 31 December 2015 and assuming the completion of the Transaction as if it had occurred on 1 January 2016.
2. The Forecast Data have been prepared using a set of assumptions about future events and actions that will have to be undertaken by directors that include, inter alia, general and hypothetical assumptions about future events, influenced by risks and uncertainties affecting the current macroeconomic scenario, and directors' actions that may not necessarily occur, and events and actions on which directors and management may not or may only partially have an influence, regarding the trend of the main financial and economic indicators or other factors that influence their evolution (the "Hypothetical Assumptions"). Such Hypothetical Assumptions, described in Paragraph 8.3 "Forecast Data" of the Information Document, relate to: (i) the positive completion of all steps of the Transaction, including the admission to trading of the shares of Italgas on the *Mercato Telematico Azionario* ("MTA"), in compliance with the expected timeline; (ii) the successful outcome of the refinancing on the market of the Italgas Group; (iii) the confirmation of the forecasts relating to natural gas' demand in Italy in the medium-long term; (iv) the renewal of Stogit S.p.A.'s concessions related to the storage plants after their expiration; and (v) the expected developments in the applicable regulatory framework.
 3. Our examination has been performed in accordance with procedures provided for these engagements by the International Standard on Assurance Engagements ("ISAE") 3400 "The Examination of Prospective Financial Information" issued by IFAC - International Federation of Accountants.
 4. Based on our examination of the evidence supporting the assumptions and the elements used to prepare the Forecast Data included in Paragraph 8.3 "Forecast Data" of the Information Document, nothing has come to our attention which causes us to believe, to date, that these assumptions and elements do not provide a reasonable basis for the preparation of the Forecast Data, assuming the occurrence of the Hypothetical Assumptions about future events and directors' actions mentioned in paragraph 2. above. Further, in our opinion the Forecast Data are properly prepared on the basis of the above mentioned assumptions and are presented in accordance with accounting principles consistent with those applied by the Company in the preparation of the consolidated financial statements as of 31 December 2015.
 5. However, it should be noted that due to the uncertainties of the occurrence of future events, with respect to the realization of the event and its quantification and time of occurrence, variations between actual results and those forecasted in the Forecast Data may be material, even if the events anticipated under the Hypothetical Assumptions mentioned in paragraph 2. above, occur.
 6. This report has been prepared for the sole purposes of the requirements of Article 13.2 of Annex I to the Commission Regulation (EC) N° 809/2004, and cannot be used, in whole or part, for any other purposes.
 7. We have no responsibility to update this report for events and circumstances occurring after the current date.

Turin, 26 October 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

9. INFORMATION ON THE FINANCIAL INSTRUMENTS TO BE ADMITTED TO TRADING

The information in Chapter 9 relates to the ordinary shares of the Beneficiary Company that Borsa Italiana have accepted for trading on the MTA through provision no. 8276 of 2 November 2016. The Transaction is subject, *inter alia*, to admission for trading. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies' Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation.

9.1 Type and class of financial instruments to be admitted to trading

The financial instruments covered by the application for admission to trading are the Beneficiary's ordinary shares, which have no par value (collectively, the "Shares").

The Beneficiary Company will issue new ordinary Shares and assign them to shareholders of the Demerged Company in the ratio of one Italgas share for every five shares of the same class of the shares held in the Demerged Company.

The shares of the Issuer that will be allocated to shareholders of the Demerged Company as part of the Demerger will be admitted to trading on the MTA, meaning that they will be subject to the same tax system as the Demerged Company's shares at present.

The ISIN code of the Shares is IT0005211237.

9.2 Law governing the issuance of Shares

Shares will be issued under Italian law.

9.3 Rules relating the sale and purchase of the Shares

The ordinary shares that will be issued by the Beneficiary Company will be registered, freely transferable and issued in non-physical form under centralised management at Monte Titoli.

9.4 Share issuance currency

The shares will be denominated in Euros.

9.5 Description of rights, including any limitations thereto, connected with the Shares and procedure for exercising them

Pursuant to Art. 5 of Italgas's Bylaws, the Shareholders' Meeting can resolve upon capital increases and determine their time frames, conditions and methods. The share capital can be increased through contributions in kind and of receivables, and by issuing bonus shares, including special classes of share, pursuant to Art. 2349 of the Civil Code.

The shares are registered and indivisible, and each share entitles the holder to one vote.

As at the Information Document Date, the Shareholders' Meeting has only issued ordinary shares.

Pursuant to Art. 21 of Italgas's Bylaws, and in compliance with the law, the Board of Directors prepares the financial statements at the end of each financial year.

The net profit reported in the duly approved financial statements shall be allocated as follows:

- up to 5% to the legal reserve until it reaches the limit set by law;
- the remainder to shares, unless otherwise decided by the Shareholders' Meeting.

Dividends not collected within five years of the date on which they became payable revert to the Beneficiary Company. Interim dividends may be distributed in accordance with the law.

Lastly, Art. 22 of Italgas's Bylaws states that the liquidation and wind-up of the Company is governed by the relevant laws.

No shares have been issued entitling the holders to special rights, and there are no share ownership schemes in place for managers and employees.

The Beneficiary Company's bylaws have no restrictions on the transfer of, or limitations on holding, the Beneficiary Company's shares. The legal provisions regarding the Unbundling Regulations described in Paragraph 2.1.1 with regard to the Demerged Company provide certain restrictions on the transfer of, and limitations on the holding of, shares.

9.6 Resolutions, authorisations and approvals pursuant to which the financial instruments were or will be created and/or issued

The Shares will be issued with effect from the Demerger Effective Date by virtue of the resolutions of the Beneficiary Company's Extraordinary Shareholders' Meeting held of 4 August 2016 which approved the actual Demerger.

The total number of Shares, equal to 809,135,502, comprises Shares issued in the context of (i) the incorporation (No. 50,000), (ii) the Contribution (No. 108,957,843), and (iii) the Demerger, on the basis of a ratio of one Share of Italgas for five shares of Snam (No. 700,127,659).

9.7 Description of any restrictions on the free transferability of the Shares

The Beneficiary's bylaws in force on the date that the admission to trading is filed with Borsa Italiana have no particular provisions concerning the purchase or transfer of the Shares. Thus, on the trading commencement date, the Shares will be freely transferable.

9.8 Applicability of regulations concerning public tender offers and/or residual purchase offers

At the Demerger Effective Date, the Beneficiary Company will be a company with shares listed on a regulated market. From the time that the Shares are issued, they will therefore be subject to the provisions of the Consolidated Finance Act and related implementation regulations, including in particular the Issuers' Regulation, especially with regard to provisions concerning public tender offers and public sale offers.

9.9 Tax system of the Shares

The information in this section provides a summary of several aspects of the purchase tax scheme, the holding and sale of shares pursuant to Italian tax legislation in force and practice at the Information Document Date and relating to specific categories of investors, without prejudice to the fact that the regulations could be subject to change, including with retroactive effect, or changes in interpretation.

This section will not be updated to take into account changes made after the Information Document Date. Any regulatory amendments or changes in interpretation may therefore make this information outdated or incomplete.

What follows is not intended to offer an exhaustive analysis of all the fiscal consequences of the purchase, holding and sale of shares for all possible categories of investors and therefore represents a summarised and partial introduction to the subject.

Investors should therefore consult their own advisors with regard to the purchase tax scheme, the holding and the sale of shares as well as any distribution of profits, reserves or capital in favour of shareholders by the Issuer.

Law No. 208 of 28 December 2015 (the 2016 Stability Law) made provision for a reduction in the rate of tax on company income (“IRES”) from the current 27.5% to 24% with effect for tax periods follow the one in progress as at 31 December 2016. The partial tax percentages planned for some types of contributions on dividends and capital gains, as described below (including the 49.2%), will be recalculated through the decree of the Ministry of Economy and Finance, which will be involved in the introduction of the changes that become necessary following the above-mentioned tax reduction. Specifically, this recalculation (a) should guarantee the constancy of the total level of taxation of dividends and capital gains, compared with the current one, and (b) will only apply with regard to dividends received and capital gains/losses realised by entrepreneurs subject to Irpef and, limited to “qualified equity investments”, from physical persons not exercising business activities, as well as with regard to dividends received by non-commercial bodies, while it will not apply with regard to parties (partnerships and bodies treated as equivalent) pursuant to Art. 5 of Presidential Decree No. 917 of 22 December 1986 (Consolidated Income Tax Act or TUIR). In the same year, the tax reduction for credit and financial bodies pursuant to Legislative Decree No. 87 of 27 January 1992 and for the Bank of Italy will be sterilized by the introduction of an additional 3.5 percentage points.

Definitions

For the purpose of this paragraph (“**Tax system**”), the terms defined have the meaning given below:

“**Sale of Non Qualified Equity Investments**”: sale for consideration of equity investments, rights or securities through which equity investments can be acquired, which is not a Sale of Qualified Equity Investments;

“**Sale of Qualified Equity Investments**”: sale for consideration of equity investments, rights or securities through which equity investments can be acquired, which, over a period of twelve months, exceed the limits for the qualification of a Qualified Equity Investment. The term of twelve months starts from when the securities or rights owned represent a percentage of voting or participation rights above the set limits. Rights

or securities through which equity investments can be acquired take into account percentages of voting rights or stakes in the capital which can potentially be reconnected to the equity investments;

“**Non Qualified Equity Investments**”: shareholdings other than Qualified Equity Investments;

“**Qualified Equity Investments**”: shareholdings composed of the possession of equity investments (other than savings shares), or rights or securities through which the above-mentioned shareholdings can be acquired, which, in total, represent a percentage of voting rights which can be exercised at the ordinary shareholders’ meeting of more than 2% (for shares traded on regulated markets) or 20% (in all other cases) or a stake in the capital or the equity of more than 5% (for shares traded on regulated markets) or 25% (in all other cases).

1. Tax system for dividends

1.1. Investors residing in Italy

- *Qualified Equity Investments held by physical persons residing outside of where the business activities are carried out*

Dividends paid to physical persons with regard to shares, which constitute Qualified Equity Investments, held residing outside of the area the business is conducted in result in the calculation of the overall income of the recipient, subject to IRPEF and additional taxes in accordance with the progressive rates for this tax, at 49.72% of their amount (in the case of the distribution of dividends made up of profits produced until the year in progress at 31 December 2007, they result in the taxable income of the beneficiary at 40%, with it remaining understood that, from the distribution resolutions following the one for the profit for the year in progress at 31 December 2007, for the purpose of the taxation of the beneficiary, the dividends distributed will be considered primarily made up of the profits produced by the company until that financial year). In order to avoid the application of a withholding tax of 26%, required by Art. 27, paragraph 1, of Presidential Decree No. 600 of 29 September 1973, (“DPR 600”) with regard to dividends received in relation to Non Qualified Equity Investments held by physical persons outside of business activities, at the time of receipt the beneficiary should declare that the dividends received relate to a Qualified Equity Investment.

- *Non Qualified Equity Investments held by physical persons residing outside of where the business activities are carried out*

In general, dividends paid to physical persons with regard to shares held, which do not constitute Qualified Equity Investments, residing outside of where the business activities are carried out are subject to a withholding tax at source of 26%.

For dividends distributed on shares in the centralised deposit system managed by Monte Titoli (such as the Issuers’ shares), in place of the above-mentioned withholding tax a replacement income tax at the same rate of 26% applies. The substitute tax is applied and paid directly by the established entities at which the securities are deposited, belonging to the centralised deposit system managed by Monte Titoli, or, through a tax representative appointed in Italy pursuant to Art. 27-ter, paragraph 8 of DPR 600, by non-resident intermediaries belonging to the Monte Titoli system directly or indirectly, via the foreign centralised deposit systems in turn belonging to the Monte Titoli system (Euroclear, Clearstream).

If, on the other hand, the shareholders opt for the “managed savings” scheme (in the previous paragraph “Managed savings scheme - Art. 7 of Legislative Decree No. 461 of 21 November 1997”), dividends relating to Non Qualified Equity Investments assigned in individual management at enabled intermediaries lead to the total annual result accrued by the management subject to substitute tax at a rate of 26%.

In any event, since the collection of substitute tax is carried out by the party depositing the shares or by the intermediary appointed for the capital management, when declaring the income the taxpayer is not bound to contribute the amount of dividends in question to their overall income subject to IRPEF.

- *Equity Investments held by physical persons residing in Italy exercising business activities*

Dividends received by physical persons in Italy with regard to equity investments held in exercising business activities contribute to the calculation of the overall income of the recipient, subject to IRPEF in accordance with the progressive rates for this tax, at 49.72% of their amount (in the case of the distribution of dividends made up of profits produced until the year in progress at 31 December 2007, they result in the taxable income of the beneficiary at 40%, with it remaining understood that, from the distribution resolutions following the one for the profit for the year in progress at 31 December 2007, for the purpose of the taxation of the beneficiary, the dividends distributed will be considered primarily made up of the profits produced by the company until that financial year).

In order to avoid the application of withholding tax of 26%, required by Art. 27, paragraph 1, of DPR 600 with regard to dividends received by physical persons with regard to Non Qualified Equity Investments held outside of business activities, at the time of receipt the beneficiary should declare that the dividends received relate to an equity investment held in the exercising of business activities.

- *Equity investments held by general partnerships, limited partnerships, partnerships and the equivalent, pursuant to Art. 5 of the TUIR, companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR*

Dividends received by general partnerships, limited partnerships, partnerships and the equivalent pursuant to Art. 5 of the TUIR, companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR, including, among others, companies with unlimited liability, companies with limited liability, cooperative companies and mutual associations, as well as European companies pursuant to (EC) regulation no. 2157/2001 and European cooperatives pursuant to (EC) regulation no. 1435/2003 resident in the territory over which the State has sovereignty, which have as their exclusive or main purpose the exercising of commercial activities (so-called commercial organisations), not subject to any withholding at source or substitute tax in Italy and contributed to the creation of the overall taxable income of the recipient, to be subjected to taxation in accordance with the ordinary rules, as follows:

(a) distributions in favour of IRPEF subjects (for example, general partnership companies, limited partnerships) contribute to the creation of the overall taxable income of the recipient at 49.72% of the amount; in the case of the distribution of dividends made up of profits produced until the year in progress at 31 December 2007, they result in the taxable income of the beneficiary at 40%, with it remaining understood that, from the distribution resolutions following the one for the profit for the year in progress at 31 December 2007,

for the purpose of the taxation of the beneficiary, the dividends distributed will be considered primarily made up of the profits produced by the company until that financial year.

(b) distributions in favour of IRES subjects (for example, joint stock companies, limited liability companies, companies with unlimited liability) contribute to the creation of the overall taxable income of the recipient limited to 5% of the amount, in other words for the entire amount if related to securities held for trading by subjects to whom IAS/IFRS international accounting standards apply. For some types of companies and in certain conditions, the dividends received can partly also contribute to the creation of the relative net value of production subject to IRAP.

- *Equity investments held by non-commercial organisations pursuant to Art. 73, paragraph 1, letter c) of the TUIR*

Dividends received by organisations pursuant to Art. 73, paragraph 1, letter c) of the TUIR (so-called non-commercial organisations), including public and private bodies other than companies, including trusts, which do not have as their exclusive or main purpose the exercising of commercial activities (excluding UCIs) contribute to the creation of the overall income of the recipients subject to IRES limited to 77.74% of the amount.

- *Equity investments held by Mutual funds, Open-ended collective investment schemes (SICAV) and Closed-ended Funds (SICAF)*

Dividends received from an open or closed-ended fund (other than a mutual fund), either a SICAV or a SICAF, other than a real estate SICAF (“Fund”) are not subject to substitute tax on the dividends, or to taxation pertaining to the Fund on the operating results, but a withholding tax of 26% applies, in certain conditions, to the income distributed to the participants or the shareholders (the Tax on Investment Funds).

- *Equity investments held by Italian Real Estate AIFs*

Pursuant to Law Decree No. 351 of 25 September 2001 (“Decree 351”), converted with amendments by Law no. 410 of 23 November 2001, Decree Law No. 78 of 31 May 2010 (“Decree 78”) and Art. 9 of Legislative Decree No. 44 of 4 March 2014 (“Decree 44”), dividends received by Italian real estate investment fund and by Italian real-estate fixed capital investment companies (“Italian real-estate AIFs”) are not subject to either withholding tax or substitute tax and there is no levy pertaining to those investment undertakings.

In some cases, the income received by a non-institutional Italian real-estate AIF could be attributed for transparency to (and therefore contribute to the creation of taxable income in Italy of the) non-institutional investors not fiscally residing in Italy holding a stake of more than 5% of the capital of the investment undertaking.

- *Equity investments held by pension funds*

If the owner of the equity investments is an Italian pension fund (subject to the system set out in Art. 17 of Decree Law No. 252 of 5 December 2005), the related income is included in the operating result accrued by the fund at the end of the tax period and is subject to substitute tax of 20%.

For the above-mentioned pension funds these earnings contribute in accordance with the ordinary rules to the creation of the total annual operating result accrued, subject to substitute tax at a rate of 20%.

The pension funds may receive - following a special request to be submitted to the Revenue Agency - a tax credit of 9% of the net result accrued, subject to substitute tax of 20%, provided that an amount equal to the net result accrued at the above-mentioned substitute tax is invested in assets of a medium-/long-term financial nature identified through the specific decree of the Ministry of Economy and Finance of 19 June 2015 and provided that the conditions established by this Decree are satisfied. The tax credit, which does not contribute to the creation of the net result accrued and which, for the purpose of the creation of pension services, increases the part corresponding to the income already subject to taxation, is included in the income declaration for each tax period and can be used from the next tax period following the one in which said investment is made, exclusively by way of offsetting, pursuant to Art. 17 of Legislative Decree No. 241 of 9 July 1997, within the limits recognised by the Revenue Agency based on the capacity in relation to the provision pursuant to Art. 1 of Law No. 190 of 23 December 2014. The limits pursuant to Art. 1, paragraph 53 of Law No. 244 of 24 December 2007 and Art. 34 of Law No. 388 of 23 December 2000 do not apply to the tax credit.

1.2. Investors not residing in Italy

- *Equity investments associated with permanent establishments in Italy of non-resident subjects*

Dividends received by subjects not residing in Italy with regard to equity investments associated with a permanent establishment which they hold in the territory over which the State has sovereignty, are subject to the system applicable to dividends received by the companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR.

- *Equity investments not associated with permanent establishments in Italy of non-resident subjects*

Dividends paid to non-resident subjects without a permanent establishment in Italy with which the equity investments are effectively associated, are subject to a substitute tax on the income at a rate of 26%. Non-resident subjects - other than savings shareholders, pension funds established in Member States of the European Union or States signed up to the Agreement on the European Economic Area which are white-listed (*i.e.* currently included on the list pursuant to the Ministerial Decree of 4 September 1996, as updated by the Decree of the Ministry of Economy and Finance of 9 August 2016, published in the Official Gazette No. 195 of 22 August 2016 and issued pursuant to Art. 11, paragraph 4, letter c) of Legislative Decree No. 239 of 1 April 1996), as well as companies and organisations subject to a tax on the income of the companies in one of the above-mentioned States and resident there, more of which will be said later - have the right to repay a contribution of up to eleven twentieths of the withholding tax in Italy, through certification of the of the competent tax office of the foreign State, demonstrating that the tax on these earnings has been paid abroad. Without prejudice to the fact that, as an alternative to the payment and always provided that the adequate documentation is produced, the above withholding tax could be directly applied at the reduced rates set out by international agreements against any double taxation applicable.

For this purpose, for shares or similar securities introduced into the centralised deposit system managed by Monte Titoli (such as the Issuers' shares), the subjects at which the shares are deposited, belonging to the centralised deposit system managed by Monte Titoli, should acquire:

- a declaration that the non-resident subject is effectively the beneficiary of the earnings, which contains the identification data of said subject, the existence of all the conditions which the application of the conventional system is subject to and any elements necessary to calculate the applicable rate pursuant to the agreement;
- proof of the competent fiscal authority of the State where the effective beneficiary of the earnings is resident, from which residency in said State is proved pursuant to the agreement.

Conventional benefits are alternatives to the partial payment of the withholding described above. If the documentation is not presented to the depositing party prior to the payment of the dividends, the substitute tax is applied at a rate of 26%. In this case, the effective beneficiary of the dividends can, however, ask the Italian financial administration to pay the difference between the substitute tax applied and the one applicable pursuant to the agreement through a special refund request, accompanied by the above-mentioned documentation, to be submitted in accordance with the legal terms and conditions.

The above-mentioned withholding operates at a rate of 1.375% if the recipients and beneficiaries of the dividends are companies or organisations fiscally resident in the Member States of the European Union or States signed up to the Agreement on the European Economic Area which are white-listed (currently included on the list pursuant to the Ministerial Decree of 4 September 1996, as updated by the Decree of the Ministry of Economy and Finance of 9 August 2016, published in the Official Gazette No. 195 of 22 August 2016 and issued pursuant to Art. 11, paragraph 4, letter c) of Legislative Decree No. 239 of 1 April 1996), and subject to a tax on the income of companies, following a specific request promptly made to the party depositing the shares and accompanied by the certifications requested. The above-mentioned rate of 1.575% will be reduced to 1.20% as a result of the reduction of the IRES rate set out in the 2016 Stability Law for the tax periods following the one in progress at 31 December 2016. If the recipients and beneficiaries of the dividends are pension funds established in one of the Member States of the European Union or States signed up to the Agreement on the European Economic Area which are white-listed, these subjects can benefit from the application of a substitute tax on the dividends at the reduced rate of 11% of the amount. For the purpose of applying the substitute tax at 11%, non-resident pension funds should promptly make the specific request to the party depositing the shares bound to collect the substitute tax, accompanied by suitable documentation.

Pursuant to Directive No. 90/435/EEC of the Council of 23 July 1990, as later amended, then rejected in Directive 2011/96/EU ("Parent-Subsidiary Directive") and Art. 27-*bis* of DPR 600, in which dividends are received by a company (i) fiscally resident in one of the European Union Member States, (ii) which takes one of the forms set out in the appendix to the Parent-Subsidiary Directive, (iii) is subject in the country of residency to one of the taxes set out in the annex to the above-mentioned directive, and (iv) own a direct "significant" (*i.e.* equal to at least 10%) stakeholding uninterruptedly for at least one year, has the right to ask for the repayment in full of any collection taken at source.

For this purpose, the company must produce (a) a certificate, issued by the competent tax authorities of the foreign country, which proves that the non-resident company satisfies the above-mentioned requirements, as well as (b) the application on the dedicated forms approved by the Revenue Agency.

As an alternative to the repayment procedure, if the above conditions are verified, the non-resident company that has held the stakeholding for at least one year since the payment of the dividends, can request the non-application of collection at source submitting the above documentation promptly to the depositary intermediary of the shares. With regard to non-resident companies which are directly or indirectly controlled by subjects non-resident in Member States of the European Union, the above-mentioned right to repayment or exemption depends on them demonstrating that they have not been established for the exclusive or main purpose of benefiting from this system.

2. Tax system for the distribution of reserves pursuant to Art. 47, paragraph 5 of the TUIR

The information provided in this paragraph summarises the tax system applicable to the distribution by the Issuer - at a time other than the reduction of surplus capital, withdrawal, exclusion, redemption or liquidation - of the capital reserves pursuant to Art. 47, paragraph 5 of the TUIR, in other words, among other things, reserves or other funds made up of issue premiums, with settlement interest paid by subscribers of new shares, with non-refundable or capital contribution payments made by shareholders and with currency revaluation balances exempt from taxation (hereinafter also Capital Reserves).

- Physical persons not exercising business activities fiscally resident in Italy

Pursuant to Art. 47, paragraph 1 of the TUIR, irrespective of the shareholders' meeting resolution, sums received by physical persons fiscally resident in Italy by way of distribution of Capital Reserves constitute earnings for the recipients within the limits and the extent to which they exist, pertaining to the distribution company, income for the period and profit reserves (with the exception of the portion set aside benefiting from tax relief). The qualified sums are earnings not subject, depending on whether or not they are Non Qualified Equity Investments and/or not relating to the business, to the same system described above for dividends. Sums received by way of distribution of Capital Reserves, net, based on the above, of any amount that qualifies as income, reduce the cost of the equity investment fiscally recognised by the same amount.

As a result, when later sold, the taxable capital gain is calculated as the difference between the sale price and the cost fiscally paid for the equity investment reduced by an amount equal to the sums received by way of distribution of the Capital Reserves (net of any amount that can be quantified as earnings). According to the interpretation of the financial administration, the sums received by way of the distribution of Capital Reserves, as regards the part in excess of the fiscal cost of the equity investment, constitute earnings, to be subjected to the system described above for dividends. Particular rules could apply with regard to equity investments for which the physical person has opted for the "asset management" system pursuant to Art. 7 of Legislative Decree No. 461 of 21 November 1997.

- *General partnerships, limited partnerships and the equivalent, pursuant to Art. 5 of the TUIR, partnerships, companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR and physical persons exercising business activities*

Pertaining to physical persons who own shares exercising business activities, general partnerships, limited partnerships and the equivalent (excluding partnerships) pursuant to Art. 5 of the TUIR, companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR, fiscally resident in Italy, the sums received by way of the distribution of Capital Reserves constitute earnings within the limits and extent in which they exist, pertaining to the distribution company, income for the period and profit reserves (with the exception of the portion set aside benefiting from tax relief). The sums qualified as earnings are subject to the same system described above for dividends.

Sums received by way of distribution of Capital Reserves, net of any amount that qualifies as earnings, reduce the cost fiscally paid for the equity investment by the same amount. For sums received by way of distribution of Capital Reserves, the part exceeding the physical cost of the equity investment constitutes capital gains and, as such, are subject to the tax system illustrated in the previous paragraphs.

- *Subjects fiscally not residing in Italy*

Pertaining to subjects fiscally not residing in Italy (whether they be physical persons or companies with share capital), without a permanent establishment in Italy to which the equity investment can be referred, the taxable nature of the sums received by way of distribution of the Capital Reserves is the same as described for physical persons fiscally residing in Italy.

With regard to non-resident subjects which hold the equity investment through a permanent establishment in Italy to which the stakeholding is effectively connected, the sums received by way of distribution of the Capital Reserves are subject pertaining to the permanent establishment to the same taxation system as companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR, fiscally resident in Italy.

3. Tax system for capital gains

3.1. Investors residing in Italy

- *Sale of Qualified Equity Investments by physical persons residing in Italy not exercising business activities*

Capital gains resulting from the sale of Qualified Equity Investments received by persons fiscally residing in Italy away from the exercising of commercial activities contribute to the creation of the overall income of the seller at 49.72% of the related amount, net of the corresponding share of related capital losses. The amount calculated in this way is subject to the income tax of the physical persons (“IRPEF”) according to the progressive rates laid down by this tax as well as additional related taxes where applicable.

The above-mentioned capital gains, as well as related capital losses realised during the year, should be clearly indicated, for each transaction, in the tax returns: If the capital losses exceed the capital gains, the excess can be reported as a deduction from the capital gains of the same nature realised during later tax periods, but not

after the fourth, within a limit of 49.72%, provided that the surplus is in the tax return for income relating to the taxable period in which the capital losses were realised.

- *Sale of Non-Qualified Equity Investments by physical persons residing in Italy not exercising business activities*

Capital gains resulting from the sale of Non-Qualified Equity Investments made by physical persons fiscally residing in Italy outside of the exercising of business activities are subject to substitute tax on income tax at a rate of 26%.

Limited to Non-Qualified Equity Investments, with regard to the application methods of the substitute tax, in addition to the ordinary system, consisting of indicating capital gains in tax returns, there are two alternative systems, which applying after the contributor opts for either the assets under administration or assets under management system.

- *Tax return system - Art. 5 of Legislative Decree No. 461 of 21 November 1997*

The contributor should indicate capital gains realised during the year in the tax return. For the purpose of applying the substitute tax of 26%, the capital gains are algebraically added to the related capital losses.

If the total amount of capital losses realised following the sale of the equity investments is higher than that of the capital gains, the surplus can be deducted, up to the amount, from the capital losses of the same nature realised in later tax periods, not beyond the fourth, provided that this surplus is indicated in the tax return for the tax period in which the capital losses were realised. Pursuant to Decree Law No. 66 of 24 April 2014, converted by Law No. 89 of 23 June 2014 (“Decree 66”), capital losses can be deducted from capital gains to a reduced extent equal to: (a) 76.92%, for capital losses realised between 1 January 2012 and 30 June 2014, and (b) 48.08% for capital losses realised up to 31 December 2011.

The substitute tax should be paid under the terms and conditions provided for the payment of taxes on income due on balance based on the tax return. Any substitute tax paid until the thresholds that make up the sale of the Qualified Equity Investments are exceeded can be deducted from the income tax due for the period in which said thresholds were exceeded.

- *Assets under administration system - Art. 6 of Legislative Decree No. 461 of 21 November 1997*

If the shares are entrusted in custody, administration, or deposited at authorised intermediaries (banks, stock brokerage companies, asset management companies, trust companies, pursuant to Law No. 1966 of 23 November 1939, Poste Italiane S.p.A. and brokers registered on the sole national register) the contributor has the right to opt for the application, by the appointed intermediary, of the substitute tax on each capital gain realised, at a rate of 26%.

The substitute tax is paid directly by the intermediary, which retains the amount on the income realised or receives provisions from the contributor, by the fifteenth day of the second month following the one in which said tax was applied. The contributor is therefore not obliged to include the above capital gains and/or capital losses in their tax return.

The option can be exercised, through written notification sent to the intermediary, either at the time of appointment and opening the deposit or current account, or later on, with regard to existing relations. In the former case the option has immediate effect for the taxable period in which it is exercised and for later periods, while in the latter case it takes effect from the start of the tax period after the one in which it was exercised. The option can be revoked within each calendar year, with effect from the first subsequent transaction.

Capital losses realised in individual transactions are calculated by the intermediaries and deducted, up to the amount, from the capital gains realised in subsequent transactions implemented under the scope of the same relationship in the same tax period and in subsequent ones, but not beyond the fourth. If the option is revoked or the custody, administration or deposit arrangement is ended, any capital losses not used can be deducted, still not after the fourth tax period following the one in which they were realised, from any capital gains of the same nature realised under the scope of another relationship with the same subjects or, in a tax return, from any capital gains resulting from the sale of Non Qualified Equity Investments, subject to taxation in accordance with the ordinary system. Pursuant to Decree 66, capital losses can be deducted from capital gains to a reduced extent equal to: (a) 76.92%, for capital losses realised between 1 January 2012 and 30 June 2014, and (b) 48.08% for capital losses realised up to 31 December 2011.

- *Assets under management system - Art. 7 of Legislative Decree No. 461 of 21 November 1997*

A contributor who has appointed an authorised intermediary to manage assets, made up of sums of cash, shares and other assets not relating to the business, can opt for the application of substitute tax, at a rate of 26%, on the result accrued by the individual management of the assigned portfolio.

The option can be exercised, through written notification sent to the intermediary, either at the time of signing the agreement, or later on, with regard to existing relations. In the former case the option has immediate effect for the taxable period in which it is exercised and for later periods, while in the latter case it takes effect from the start of the tax period after the one in which it was exercised. The option can be revoked within each calendar year, with effect from the next tax period.

The result of the management comprises the difference between the value of the assets managed at the end of each calendar year and the value of said assets at the beginning of the year.

Specifically, the value of the assets managed at the end of each calendar year is calculated gross of substitute tax, plus collections and minus contributions made in the year, income accrued in the period and subject to withholding tax, income which contributes to the creation of the overall income of the contributor, income which is missing or, in any event, not subject to tax accrued in the period. The result is calculated net of expenses and commission relating to the assets managed.

A negative operating result achieved during the year is calculated as a decrease in the result of operations in later tax periods, but not beyond the fourth, for the entire amount in each of them. Pursuant to Decree 66, a negative operating result can be deducted from a positive result achieved later on to a reduced extent equal to: (a) 76.92%, for negative results realised between 1 January 2012 and 30 June 2014, and (b) 48.08% for negative results realised up to 31 December 2011.

The substitute tax is taken from the manager, who makes provision to pay it to the competent collection agency by 16 February of the year following the one in which the related debt was accrued, or, if the management

mandate is withdrawn, by the sixteenth day of the month following the one in which the management mandate was withdrawn.

When opting for the assets under management system, the contributor is not obliged to include this income in their annual tax return.

- *Sales of equity investments by physical persons exercising business activities, general partnerships, limited partnerships and the equivalent pursuant to Art. 5 of the TUIR*

Capital gains realised by physical persons fiscally residing in Italy exercising business activities, as well as general partnerships, limited partnerships and the equivalent, pursuant to Art. 5 of Presidential Decree No. 917/1986, excluding partnerships, through the sale for consideration of equity investments, contribute, for the entire amount, to the creation of taxable income for the business, subject to taxation in Italy in accordance with the ordinary system.

According to what has been clarified by the financial administration, negative elements of income realised by physical persons in exercising business activities, general partnerships, limited partnerships and the equivalent pursuant to Art. 5 of the TUIR fiscally resident in Italy through the sale for consideration of equity investments will be fully deductible from the taxable income of the seller.

However, where the conditions in points (a), (b), (c) and (d) of the next paragraph “Sales of equity investments by companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR” are met, the capital gains contribute to the creation of the taxable income to an extent of 49.72% of the related amount. Capital losses realised relating to equity investments with the requirements in points (a), (b), (c) and (d) of the next paragraph can be partly deducted similar to the provisions of the taxation of capital gains. For the purpose of calculating fiscally significant capital gains and capital losses, the fiscal cost of the equity investments sold is taken net of write-downs deducted in previous tax periods.

- *Sales of equity investments by companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR*

Capital gains realised by companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR (in other words by joint-stock companies, companies with unlimited liability, companies with limited liability, public and private organisations which have as their exclusive or main purpose the exercising of commercial activities, fiscally resident in Italy) through the sale for consideration of shares other than those having the requirements pursuant to Art. 87 of the TUIR (listed below) contribute to the creation of the taxable income of the business in their entire amount in the financial year in which they are realised or, for equity investments recorded under financial fixed assets in the last three financial statements, by choice, at constant rates in the actual financial year and in subsequent ones, but not beyond the fourth.

However, capital gains realised by the companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR do not contribute to the creation of the taxable income of the seller, because they are exempt, for up to 95% of the amount, where the following conditions indicated in Art. 87, paragraph 1, letters a) to d) of the TUIR are met:

(a) uninterrupted ownership from the first day of the twelfth month prior to the one in which the sale took place, considering the shares purchased on the most recent date first;

(b) classification of the equity investment under fixed financial assets in the first financial statements ended during the period of ownership. For subjects preparing financial statements based on IAS/IFRS international accounting standards, shares or units other than those held for trading are considered as fixed financial assets;

(c) fiscal residency of the investee company in a State or country other than those with a privileged tax system identified based on the criteria pursuant to Art. 167, paragraph 4 of the TUIR or, alternatively, demonstration, also following the exercising of the application pursuant to said Art. 167, paragraph 5, letter b), that the equity investments were not obtained, from the beginning of the period of ownership, as a result of the effect of locating the income in these States or countries; and

(d) exercising by the investee company of a commercial business in accordance with the definition pursuant to Art. 55 of the TUIR. This last requirement is always presumed to exist with regard to companies whose securities are traded on regulated markets. In addition, the existence of this requirement is not necessary in the case of capital gains realised through IPOs.

The requirements pursuant to the last two points (letters (c) and (d) above) should exist uninterruptedly, at the time the capital gains are realised, at least from the start of the third tax period prior to the actual realisation.

If one of the above requirements does not exist, the capital gains contribute in full to the creation of the taxable income in the year in which they are realised, in other words, at the discretion of the contributor, at constant rates in the actual financial year or over the next four years, provided that the equity investments are recorded as financial fixed assets in the last three financial statements. The above choice should be reported in the tax return of the seller.

For some types of companies and in certain conditions, income from the sale of stakeholdings in companies also contribute, in full or in part, to the creation of the net value of production, subject to regional production tax (“IRAP”).

Where the conditions pursuant to the previous points (b), (c) and (d) are verified, the capital losses realised following the sale of stakeholdings owned uninterruptedly from the first day of the twelfth month prior to the one in which the sale took place, can be fully deducted from the income of the business, considering the shares sold on the most recent date first.

Capital losses resulting from the sale of equity investments without the above-mentioned requirements, on the other hand, are, broadly speaking, fully deductible from the income of the seller.

However, capital losses and negative differences between revenues and costs relating to shares which do not possess the requirements for exemption are not permitted for deduction up to the contribution of the non-taxable amount of the dividends, or their payments on account, received in the thirty-six months prior to their realisation/attainment. This provision (i) applies with regard to shares purchased in the thirty six months prior to the realisation/attainment, always provided that the conditions pursuant to the previous points (c) and (d) are met, but (ii) do not apply to subjects preparing financial statements based on IAS/IFRS international accounting standards.

With regard to subjects preparing financial statements based on IAS/IFRS international accounting standards, for shares owned for a period of less than 12 months, with regard to which the other requirements pursuant to points (b), (c) and (d) are included, the fiscal cost of the earnings received during the period of ownership is reduced for the portion of these earnings excluded from the creation of taxable income.

With regard to capital losses deductible from business income resulting from transactions in shares and other securities traded on Italian or foreign regulated markets, it should be pointed out that pursuant to Art. 5 *quinquies*, paragraph 3 of Law Decree No. 203 of 30 September 2005, converted with amendments by Law No. 248 of 2 December 2005, if the amount of these capital losses is higher than Euro 50,000, even following several transactions, the seller is obliged to notify the Revenue Agency of the details of the transaction.

They must also notify, pursuant to Art. 1 of Law Decree No. 209 of 24 September 2002, converted with amendments by Law No. 265 of 22 November 2002, capital losses of total amounts higher than Euro 5 million, resulting from sales of equity investments which are financial fixed assets.

This last provision does not apply with regard to subjects preparing financial statements based on IAS/IFRS international accounting standards.

In both eventualities described previously, the omitted, incomplete or false notification of capital losses is punished by an administrative fine of 10 percent of the capital losses where the notification was omitted, incomplete or false, with a minimum amount of Euro 500 and a maximum of Euro 50,000.

- *Equity investments held by non-commercial organisations pursuant to Art. 73, paragraph 1, letter c) of the TUIR*

The capital gains realised, outside of business activities, by non-commercial organisations resident in Italy and by partnerships resident in the territory over which the State has sovereignty, are subject to taxation under the same rules as for capital gains realised by physical persons fiscally resident in Italy on equity investments not held acting as a company.

- *Sales of equity investments by Mutual funds, Open-ended collective investment schemes (SICAV) and Closed-ended Funds (SICAF)*

If the investor is resident in Italy and is a Fund and (i) the Fund or (ii) the company appointed to manage it are subject to forms of prudential supervision, the capital gains realised by it are not subject to substitute tax. The Fund is not subject to taxation on this operating result, but a withholding of 26% applies, in certain conditions, to the income distributed to the participants or the shareholders (the Tax on Investment Funds).

- *Sales of equity investments by Italian real-estate AIFs*

Pursuant to Decree 351, Decree 78 and Art. 9 of Decree 44 and later amendments and supplements, income, including capital gains resulting from the sale of shares, obtained by Italian real-estate AIFs are not subject to any levy pertaining to those investment undertakings. In some cases, the income received by a non-institutional Italian real-estate AIF could be attributed for transparency to (and therefore contribute to the creation of taxable income of the) non-institutional investors not physically residing in Italy holding a stake of more than 5% of the capital of the investment undertaking.

- *Sales of equity investments by Italian pension funds*

Capital gains realised by an investor that is an Italian pension fund (subject to the system set out in Art. 17 of Decree Law No. 252 of 5 December 2005), are included in the operating result accrued by the fund at the end of the tax period and subject to substitute tax of 20%.

The pension funds may receive - following a special request to be submitted to the Revenue Agency - a tax credit of 9% of the net result accrued, subject to substitute tax of 20%, provided that an amount equal to the net result accrued at the above-mentioned substitute tax is invested in assets of a medium-/long-term financial nature identified through the specific decree of the Ministry of Economy and Finance of 19 June 2015 and provided that the conditions established by this Decree are satisfied. The tax credit, which does not contribute to the creation of the net result accrued and which, for the purpose of the creation of pension services, increases the part corresponding to the income already subject to taxation, is included in the income declaration for each tax period and can be used from the next tax period following the one in which said investment is made, exclusively by way of offsetting, pursuant to Art. 17 of Legislative Decree No. 241 of 9 July 1997, within the limits recognised by the Revenue Agency based on the capacity in relation to the provision pursuant to Art. 1 of Law No. 190 of 23 December 2014. The limits pursuant to Art. 1, paragraph 53 of Law No. 244 of 24 December 2007 and Art. 34 of Law No. 388 of 23 December 2000 do not apply to the tax credit.

3.2. Investors not residing in Italy

- *Equity investments associated with permanent establishments in Italy of non-resident subjects*

Capital gains realised by subjects not residing in Italy, resulting from the sale for consideration of equity investments associated with a permanent establishment that they hold in the territory over which the State has sovereignty, contribute to the creation of the income of the permanent establishment and are consequently subject to the tax treatment applicable to capital gains realised by companies and organisations pursuant to Art. 73, paragraph 1, letters a) and b) of the TUIR, for resident companies and commercial organisations.

- *Equity investments not associated with permanent establishments in Italy of non-resident subjects*

Capital gains realised by subjects not residing in Italy, resulting from the sale for consideration of Non-Qualified Equity Investments in resident companies trading on regulated markets, which are not associated with any permanent establishments in the territory over which the State has sovereignty, are not taxable in Italy. Non-resident shareholders must provide self-certification proving residency abroad for fiscal purposes and must comply with other formalities.

Capital gains (or capital losses) realised by subjects not residing in Italy, resulting from the sale of Qualified Equity Investments in resident companies (trading or not trading on regulated markets), not associated with any permanent establishments which these subjects own in the territory over which the State has sovereignty, contribute to the creation of the overall income taxable in Italy of the recipient in accordance with the rules laid down for physical persons resident in Italy not exercising business activities.

In order to subject the capital gains realised to taxation, or benefit the reporting of any capital losses, the non-resident subject must submit a tax return in Italy for the income from which the capital gains and capital

losses are realised following the sale of the equity investments in question and also comply with other formalities.

This is without prejudice to the applicability of international agreements preventing double taxation on income agreed by Italy, if more favourable, and, therefore, where provided for and applicable, the exemption of the above-mentioned capital gains from taxation in Italy.

4. Registration of the sales agreement

Documents for the trading of securities are subject to discounted tax: (i) public instruments and authenticated agreements are subject to a fixed tax discount of Euro 200; and (ii) non-authenticated agreements are only subject to a tax discount in the “case of use” or statement or following voluntary registration.

5. Stamp duty

Art. 13, paragraphs *2-bis* and *2-ter*, of the Tariff, part one, attached to Presidential Decree No. 642 of 26 October 1972 and notes *3-bis* and *3-ter* lay down the arrangements governing the proportional stamp duty usually applicable (with the exception of several exclusions/exceptions) to period announcements sent by Italian financial intermediaries to their customers, relating to financial products deposited with them, also including shares.

Not subject to proportional stamp duty, among others, are the reports and announcements that Italian financial intermediaries send to subjects other than customers, as defined in the Provision of the Governor of the Bank of Italy of 20 June 2012. Proportional stamp duty does not apply, among other things, to announcements received by pension funds and health funds. Paragraph *2-ter* of Art. 13 of the Tariff, part one, attached to DPR No. 642 of 26 October 1972, makes provision that, where applicable, the proportional stamp duty applies at a rate of 0.2% per year. There is not provision for a minimum amount.

For subjects other than physical persons, there is a maximum ceiling of Euro 14,000 per year. Periodic announcements to customers are assumed, in any event, to be sent at least once a year, also if the Italian intermediary is not obliged to prepare and send communications. In this case, the tax should be applied at 31 December each year and, in any event, at the end of the relationship with the customer.

The tax rate applies to the market value of financial products, in its absence, to the nominal or repayment value, resulting from the communication sent to the customer. The tax applies both regard to resident investors and with reference to non-resident investors, for financial products held at Italian intermediaries.

6. Tax on the value of financial products held abroad (“IVAFE”)

Physical persons residing in Italy who hold financial products abroad (including shares) should generally pay a tax on their value (IVAFE). The tax also applies to shares of companies resident in Italy held abroad.

IVAFE does not apply to financial products held abroad but under administration or management by Italian financial intermediaries. In the latter case, the stamp duty described in the previous paragraph applies.

The tax, calculated on the value of the financial products, is due proportionally to the share of ownership and the period held, and applies at a rate of 0.2%. The value of the financial products is usually established by the market value, calculated at the end of each calendar year in the place in which they are held, also using the documentation of the foreign intermediary as a reference. If the products are no longer owned at 31 December, the market value of the products calculated at the end of the period of ownership is used. This value must be used for financial products listed on regulated markets.

A tax credit must be deducted from the tax, up to the amount, equal to the amount of any capital levy paid in the country in which the financial products are held. The credit cannot, in any event, exceed the tax due in Italy.

There is no tax credit due if there is an agreement in force with the country in which the financial product is held to prevent double taxation (also regarding capital levies) which, requires exclusive taxation for that financial product in the country of residency of the owner. In these cases, for any capital levies paid abroad, it is usually possible to request a refund from the tax authorities of the country in which the above-mentioned taxes were applied in spite of the arrangements.

Information on financial products held abroad is given in the RW section of annual tax returns.

7. Obligations of fiscal monitoring and any further disclosure requirements

For the purpose of fiscal monitoring regulations, physical persons, non-commercial organisations and partnerships and equivalent subjects, fiscally residing in Italy, are obliged to indicate in the RW section of annual tax returns (or on a special form, in some cases where there is exemption for the requirement to submit an annual tax return), the amount of the investments (including any shares) held abroad in the tax period, which could contribute to taxable income in Italy.

With regard to shares, these monitoring obligations are not applicable if the shares are not held abroad and, in any event, if they are deposited at an Italian intermediary appointed to collect the related income, if the financial flows and income resulting from the shares is subject to withholding or substitute tax paid by the actual intermediary.

In addition, following the inter-governmental agreement between Italy and the United States of America with regard to accepting the regulations of the Foreign Account Tax Compliance Act (FATCA) and Law No. 95 of 18 June 2015 containing the ratification and execution of said agreement as well as provisions concerning the requirements of financial institutions for the purpose of implementing the automatic exchange of information resulting from the above agreement and from agreements between Italy and other foreign countries (Common Reporting Standards), implemented through the Ministerial Decree of 28 December 2015, owners of financial instruments (including shares) may be subject, in the presence of certain conditions, to several disclosure requirements.

8. Italian tax on financial transactions

- Contribution of ownership of shares

The Italian tax on financial transactions (“FTT”) applies to the financial transactions pursuant to Art. 1, paragraphs 491 to 500, of Law No. 228 of 24 December 2012, including, among other things, transfers of ownership of shares issued by companies resident in the territory over which the State has sovereignty. The Ministerial Decree of 21 February 2013, as amended by the Ministerial Decree of 16 September 2013 (Ministerial Decree of 21 February 2013), provides the implementation arrangements for the application of the FTT.

The tax is due from subjects that acquire ownership of shares issued by Italian companies irrespective of the residency of the counter-parties and the place where the transaction was concluded. Banks and other qualified intermediaries involved in the execution of transactions are usually liable for the payment of this tax. If the transaction is executed by several subjects including those indicated above, the tax is paid by the one that has directly received the execution order from the purchaser. If no intermediaries are involved in the transactions, then the tax should be paid by the contributor.

The tax is usually applied at a rate of 0.20% of the value of the transactions, calculated based on the net balance of the daily transactions (calculated for each taxable person with regard to the number of securities subject to transactions regulated on the same day per individual financial instruments), multiplied by the weighted average price of the purchases made on the reference day.

The rate is reduced to half (0.10%) for transactions that are considered to be concluded pursuant to the law on regulated markets or in multi-lateral trading systems. The tax involves a range of cases of exemptions and exclusions including, purely by way of example: (i) transfers of ownership of shares which take place following succession or donation; (ii) transactions involving the issuing or cancellation of shares, including repurchase transactions by the issuer; (iii) the purchase of new issue shares, even if this takes place following the conversion of bonds or the exercising of an option right by the shareholder of the issuing company; (iv) temporary purchase transactions of securities indicated in Art. 2, point 10, of (EC) regulation no.1287/2006 of the Commission of 10 August 2006, as well as the transfer of ownership under the scope of financial guarantee transactions in certain conditions; (v) transfers of ownership of shares traded on regulated markets or multi-lateral trading systems issued by companies whose average capitalisation in the month of November in the year prior to the one in which the transfer took place was less than Euro 500 million (the exclusion also works for transfers that do not take place on regulated markets and multi-lateral trading systems). In addition, the tax does not apply, among other things, to: (i) subjects who carry out transactions in the financial year for activities to support exchanges, and restricted thereto, as defined by Art. 2, paragraph 1, letter k) of (EU) Regulation No. 236/2012 of the European Parliament and Council of 14 March 2012 as well as the ESMA document 2013/158 of 1 February 2013; (ii) subjects who, on behalf of an issuing company, implement transactions in exercising activities supporting liquidity within the framework of permitted market practices, accepted by the authorities of the financial markets for the application of Directive 2003/6/EC of the European Parliament and Council of 20 January 2003 and Directive 2004/72/EC of the Commission of 29 April 2004; (iii) purchases and transactions implemented by a financial intermediary which operates between two parties acting as counter-party for both, purchasing a security on one side and selling it on another, if the price between the two transactions, the overall quantity and the regulation date of the purchase and sales transactions

coincide, excluding cases in which the subject to which the financial intermediary sells the security does not meet its obligations; (iv) purchases and transactions implemented by systems involved in the purchases and transactions for the purpose of compensation and guaranteeing said purchases and transactions. There are also further cases of exemption linked to the status of the contributor if it is a public or supranational body. The FTT is not deductible for the purpose of income tax (IRPEF e IRES), substitute taxes and IRAP.

- *Tax on high frequency trading*

Pursuant to Art. 1, paragraph 495, of Law 228/2012 transactions carried out on the Italian financial market are subject to a tax on high frequency trading relating to the financial instruments pursuant to Art. 1, paragraphs 491 and 492, of Law 228/2012. High frequency trading activity is considered to be that generated by an IT algorithm which automatically calculates decisions relating to the sending, amendment or cancellation of orders and related parameters, where the sending, amendment or cancellation of orders on financial instruments of the same type are made at an interval below the minimum value established by the Ministerial Decree of 21 February 2013. The tax applies at a rate of 0.02% on the value of orders cancelled or amended which, in a day on the stock exchange, exceed the numerical threshold established by the Ministerial Decree of 21 February 2013. This threshold cannot, in any event, be lower than 60% of the orders transmitted. The tax is due from the subject which, through the algorithms indicated in Art. 12 of the Ministerial Decree of 21 February 2013, issues the purchase and sales orders and the associated amendments and cancellations pursuant to Art. 13 of said Ministerial Decree of 21 February 2013.

9. Tax on successions and donations

Transfers of equity investments or securities by succession as a result of death, through donation or free of charge usually come under the scope of the application of the existing Italian tax on successions and donations. The tax also applies to the establishment of restrictions on use.

For subjects resident in Italy, the tax on succession or donation is usually applied to all assets and rights transferred, wherever they exist (with certain exceptions). For non-resident subjects, the tax on succession or donation is exclusively applied to existing assets and rights in Italian territory. In any event, shares in companies which have their registered office or administrative office or main purpose in Italy are considered as existing in Italian territory.

The tax is due from heirs and legatees for inheritances, from donor for donations and from beneficiaries for other gifts between living persons.

Both taxes are applied at the following rates:

- 4% on the total net value, for each beneficiary, in excess of Euro 1,000,000, if the heirs are the spouse and direct lineal descendants;
- 6% on the total net value, for each beneficiary, in excess of Euro 100,000, if the heirs are brothers or sisters;
- 6% if the heirs are relatives within the fourth degree, lineal relatives and non-direct relatives within the third degree;

- 8% if the heirs are subjects other than those indicated in the previous points.

If the heir or the beneficiary is a subject who has a serious handicap recognised pursuant to Law No. 104 of 5 February 1992, the succession and donation tax only applies to the part of the value of the share, the legacy or the donation that exceeds the allowance of Euro 1.500.000, at the same rates given above.

Further exemptions may apply if certain conditions are verified.

10. ADMISSION TO TRADING AND TRADING PROCEDURES

10.1 Markets for admission to trading

Snam ordinary shares are admitted to trading on the MTA and will continue to be listed on the market on the Demerger Effective Date.

On 2 November 2016, Borsa Italiana issued the order for admission to listing on the MTA for the shares of the Beneficiary Company. The beginning of trading, subject to the registration of the deed of Demerger with the relevant Companies' Register, will be determined by means of a subsequent notice at the terms and conditions provided for by Article 2.4.2, paragraph 4, of Borsa Italiana Regulation. The request for admission to trading of Italgas shares was not filed with other markets.

The Transaction is subject to, *inter alia*, this admission to trading, which will be finalised when Borsa Italiana sets the date for the commencement of trading of the shares of Italgas on the MTA.

Banca IMI and Equita have the role of Sponsor for the above listing pursuant to Art. 2.3.1, paragraph 1, letter a) of the Stock Exchange Regulations.

After the signing and registration of the deed of Demerger at the competent Companies Register and before it takes effect, Borsa Italiana will establish the date of the start of trading on the MTA Italgas shares.

Therefore, following the Transaction, the Beneficiary Company's shares will be listed on the MTA.

10.2 Trading commencement date

Borsa Italiana will set the trading commencement date of Italgas shares on the MTA with an order pursuant to Art. 2.4.2, paragraph 4 of the Stock Exchange Regulations, following the recording of the Demerger deed with the appropriate Company Register.

The trading commencement date on the MTA for the Italgas shares will coincide with the Demerger Effective Date (or the first trading day thereafter in the event that the Demerger Effective Date occurs on a non-trading day).

ANNEXES

1. Consolidated Financial Statements of the Italgas Reti Group for the financial years ending 31 December 2015, 2014 and 2013, accompanied by the External Auditors Report; and
2. Condensed interim consolidated financial statements of the Italgas Reti Group as at 30 June 2016, accompanied by the External Auditors Report.

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Italgas Consolidated Financial Statements

31 December 2013

31 December 2014

31 December 2015



Contents

Consolidated financial statements

- Consolidated statement of financial position 3
- Consolidated income statement 4
- Consolidated statement of comprehensive income
4
- Statement of changes in consolidated shareholders' equity
5
- Consolidated statement of cash flows 8

Notes to the consolidated financial statements

9



ITALGAS

Italgas 2013 - 2015 Consolidated Financial Statements

Consolidated statement of financial position

(€ million)

	31.12.2013		31.12.2014		31.12.2015	
	Total	of which with related parties	Total	of which with related parties	Total	of which with related parties
ASSETS						
Current assets						
Cash and cash equivalents			47		2	
Trade and other receivables	494	281	528	170	575	164
Inventories	11		15		19	
Current income tax assets	13		14		8	
Other current tax assets	2		3		4	
Other current assets	2		2		3	
	522		609		611	
Non-current assets						
Property, plant and equipment	208		226		230	
Compulsory inventories						
Intangible assets	3,935		4,284		4,472	
Investments valued using the equity method	335		224		169	
Other receivables						
Other non-current assets	4		3		5	
	4,482		4,737		4,876	
Non-current assets held for sale	23		23		24	
TOTAL ASSETS	5,027		5,369		5,511	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	339	339	494	494	409	409
Short-term portion of long-term financial liabilities	29	29	29	29	24	24
Trade and other payables	375	47	414	79	447	90
Current income tax liabilities	1		1		1	
Other current tax liabilities	23		12		9	
Other current liabilities			1			
	767		951		890	
Non-current liabilities						
Long-term financial liabilities	1,296	1,296	1,296	1,296	1,417	1,417
Provisions for risks and charges	219		211		192	
Provisions for employee benefits	76		87		116	
Deferred tax liabilities	305		217		159	
Other non-current liabilities	2		4		6	
	1,898		1,815		1,890	
Liabilities directly associated with assets held for sale	7		7		7	
TOTAL LIABILITIES	2,672		2,773		2,787	
SHAREHOLDERS' EQUITY	2,355		2,596		2,724	
Total Group shareholders' equity	2,354		2,595		2,723	
Capital and reserves attributable to minority interests	1		1		1	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,027		5,369		5,511	



Consolidated income statement

(€ million)

	2013		2014		2015	
	Total	of which with related parties	Total	of which with related parties	Total	of which with related parties
REVENUE						
Core business revenue	1,315	879	1,324	654	1,387	796
Other revenue and income	42	15	45	13	32	13
	1,357		1,369		1,419	
OPERATING COSTS						
Purchases, services and other costs	(446)	(72)	(468)	(68)	(449)	(76)
Labour and related costs	(192)	19	(179)	18	(228)	16
	(638)		(647)		(677)	
EBITDA at current values	719		722		742	
Amortisation, depreciation and impairment	(214)		(245)		(273)	
EBIT	505		477		469	
FINANCIAL INCOME (EXPENSES)						
Financial income			6		5	
Financial expense	(70)	(61)	(60)	(56)	(53)	(48)
	(70)		(54)		(48)	
INCOME (EXPENSE) ON EQUITY INVESTMENTS						
Equity method valuation effect	60		46		20	
Other income (expense) from equity investments			52		9	
	60		98		29	
PRE-TAX PROFIT	495		521		450	
Income taxes	(194)		(115)		(110)	
NET PROFIT	301		406		340	
Earnings per share €	1.19		1.61		1.35	

Statement of comprehensive income

(€ million)	2013	2014	2015
Net profit for the year	301	406	340
Other components of comprehensive income			
Components that can be reclassified to the income statement:			
Change in fair value of cash flow hedge derivatives			
Tax effect			
Expense arising from fair-value measurement of hedging derivatives			
Components that cannot be reclassified to the income statement:			
Actuarial gains (losses) remeasurement of defined-benefit plans for employees	5	(9)	3
Tax effect	(3)	2	(1)
Total other components of comprehensive income, net of tax effect	2	(7)	2
Total comprehensive income for the period	303	399	342



Consolidated statements of changes in shareholders' equity

	Equity pertaining to shareholders of the parent company							Minority interests	Total shareholders' equity
	Share capital	Legal reserve	Share premium reserve	Defined-benefit plans for employees reserve net of tax effect	Other reserves	Retained earnings	Net profit for the year		
(€ million)									
Balance at 31 December 2012	252	58	50	(8)	1,245	450	368	2,415	1 2,416
Profit for 2013							301	301	301
Other components of comprehensive income									
<i>Components that can be reclassified to the income statement:</i>									
- portion of equity-accounted investments pertaining to "other components of comprehensive income"									
- change in fair value of cash flow hedge derivatives									
<i>Components that cannot be reclassified to the income statement:</i>									
- actuarial losses on remeasurement of defined-benefit plans for employees					2			2	2
Total comprehensive income for 2013					2		301	303	303
Transactions with shareholders:									
- allocation of dividend for 2012 (€1.41202 per share)							(356)	(356)	(356)
- allocation of 2012 residual net profit						12	(12)		
Total transactions with shareholders						12	(368)	(356)	(356)
Other changes in shareholders' equity					(192)	184		(8)	(8)
Balance at 31 December 2013	252	58	50	(6)	1,053	646	301	2,354	1 2,355



	Equity pertaining to shareholders of the parent company									
	Share capital	Legal reserve	Share premium reserve	Defined-benefit plans for employees reserve net of tax effect	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(€ million)										
Balance at 31 December 2013	252	58	50	(6)	1,053	646	301	2,354	1	2,355
Profit for 2014							406	406		406
Other components of comprehensive income										
<i>Components that can be reclassified to the income statement:</i>										
- portion of equity-accounted investments pertaining to "other components of comprehensive income"										
- change in fair value of cash flow hedge derivatives										
<i>Components that cannot be reclassified to the income statement:</i>										
- actuarial losses on remeasurement of defined-benefit plans for employees				(7)				(7)		(7)
Total comprehensive income for 2014				(7)			406	399		399
Transactions with shareholders:										
- allocation of dividend for 2014 (€0.6245 per share)							(157)	(157)		(157)
- allocation of 2013 residual net profit						144	(144)			
Total transactions with shareholders						144	(301)	(157)		(157)
Other changes in shareholders' equity					(13)	12		(1)		(1)
Balance at 31 December 2014	252	58	50	(13)	1,040	802	406	2,595	1	2,596



ITALGAS

Italgas 2013 - 2015 Consolidated Financial Statements

	Equity pertaining to shareholders of the parent company									
	Share capital	Legal reserve	Share premium reserve	Defined-benefit plans for employees reserve net of tax effect	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(€ million)										
Balance at 31 December 2014	252	58	50	(13)	1,040	802	406	2,595	1	2,596
Profit for 2015							340	340		340
Other components of comprehensive income										
Components that can be reclassified to the income statement:										
- portion of equity-accounted investments pertaining to "other components of comprehensive income"										
- change in fair value of cash flow hedge derivatives										
Components that cannot be reclassified to the income statement:										
- actuarial losses on remeasurement of defined-benefit plans for employees					2			2		2
Total comprehensive income for 2015					2		340	342		342
Transactions with shareholders:										
- allocation of dividend for 2014 (€0.8468 per share)							(214)	(214)		(214)
- allocation of 2014 residual net profit						192	(192)			
Total transactions with shareholders						192	(406)	(214)		(214)
Other changes in shareholders' equity					(4)	4				
Balance at 31 December 2015	252	58	50	(11)	1,036	998	340	2,723	1	2,724



Consolidated statement of cash flows

	(€ million)		
	2013	2014	2015
Net profit	301	406	340
Total amortisation and depreciation	214	245	273
Impairment losses			
allocation (use) of provision for doubtful debts and impairment in accounts			
Other changes	(59)	(43)	(20)
- equity method equity investments valuation effect	(59)	(43)	(20)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	(3)	14	12
Dividends, interest and taxes	262	114	149
dividends			
interest income	(1)	(7)	(1)
interest expense	69	58	49
income taxes	194	115	110
other changes		(52)	(9)
Change in working capital:	55	14	(88)
- inventories	4	(3)	(4)
- trade receivables	4	(25)	(46)
- trade payables	(76)	41	(36)
- allocation (use) of provision for risks and charges	16	(5)	(20)
- other assets and liabilities (including derivative instruments)	107	6	18
Change in provisions for employee benefits		(2)	31
Dividends collected, taxes paid, interest paid and received	(355)	(234)	(180)
- dividends collected	64	47	17
- taxes paid	(360)	(226)	(150)
- interest paid	(60)	(56)	(48)
- interest collected	1	1	1
NET CASH FLOW FROM OPERATIONS	415	514	517
Technical investments	(312)	(325)	(360)
Investments/divestments in business units and equity investments	(17)	(12)	(46)
Financial receivables held for operations			
Change in payables and receivables relating to investments	33	(18)	27
- change in net payables relating to investments	33	(18)	27
Cash flow from investments	(296)	(355)	(379)
Disposals	17	2	
- tangible and intangible fixed assets	17		
- financial receivables held for operations		2	
Other changes relating to investment activities	3		
- changes relating to divestment activities	3		
Cash flow from divestments	20	2	
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(276)	(353)	(379)
Free cash flow	139	161	138
- assumption of long-term financial debt	481	29	162
- repaying long-term financial debt	(12)	(29)	(46)
- increase (decrease) in short-term financial debt	(264)	37	(85)
- dividends distributed	(356)	(157)	(214)
NET CASH FLOW FROM FUNDING ACTIVITIES	(151)	(120)	(183)
Change in scope of consolidation		6	
NET CASH FLOW FOR THE PERIOD	(12)	47	(45)
Cash and cash equivalents at start of period	12		47



ITALGAS

Italgas 2013 - 2015 Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION

Italgas (hereinafter the Company) is a limited company, organised according to the laws of the Italian Republic, controlled by Snam S.p.A. which owns 100% of the share capital and is domiciled in Turin at 9 Largo Regio Parco.

The Company operates in the regulated activities of natural gas distribution. These activities are carried out via its integrated infrastructure in Italy.

The Company is subject to management and coordination by Snam S.p.A..

CDP S.p.A. declared, with effect from the financial statements as at 31 December 2014, that it had control over Snam S.p.A. within the meaning of international accounting standard IFRS 10 - Consolidated Financial Statements. No management and coordination activity has been formalised or exercised.

At 31 December 2015 CDP S.p.A. owns, via CDP Reti S.p.A.¹ and CDP GAS S.r.l.² respectively, 28.98% and 1.12% of the share capital of Snam S.p.A..

These consolidated financial statements have been prepared in connection with the prospective industrial and corporate restructuring aimed at separating the Snam Group activities relating to gas distribution in Italy from the transportation and dispatching, regasification and storage activities in Italy and abroad and, specifically, for the purposes pursuant to Article 2343-bis of the Italian Civil Code, with regard to the transfer and purchase by promoters, founders, shareholders and directors of Italgas shares.

These Italgas S.p.A. consolidated financial statements as at 31 December 2013, 2014 and 2015 are composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of changes in shareholders' equity, Statement of Cash Flows and Notes to the consolidated financial statements.

These consolidated financial statements, approved by the Board of Directors at the meeting of 18 July 2016, are audited EY S.p.A..

The preparation of the consolidated financial statements does not constitute a waiver on behalf of Italgas of the right not to prepare its consolidated financial statements in relation to the requirements of IFRS 10 and with reference to Article 27, paragraph 3 of Legislative Decree No. 127/91.

1) PREPARATION CRITERIA

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretation documents currently in force issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC). For simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The consolidated financial statements are prepared in consideration of future continuing business using the historical cost method, taking into account value adjustments where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

¹ CDP S.p.A. holds 59.10%.

² Company wholly owned by CDP S.p.A.



The consolidated financial statements are presented in euro. Given their size, amounts in the financial statements and respective notes are expressed in millions of euros, unless otherwise specified.

Accounting standards and interpretations applied as of the current year

In the financial year ended 31 December 2015, the Company applied accounting standards in line with those of the previous year, with the exception of the accounting standards and interpretations which came into force on 1 January 2015, which are described below.

Regulation 1361/2014 issued by the European Commission on 18 December 2014 approved the provisions in the document "Annual Improvements to International Financial Reporting Standards 2011-2013 Cycle". The provisions contained in the document chiefly made amendments to: (i) IFRS 3, by clarifying that IFRS 3 does not apply to the recognition of the formation of a joint venture or joint operation (as defined by IFRS 11) in the financial statements of the joint arrangement; (ii) IFRS 13, by clarifying that the provision in IFRS 13 based on which the fair-value measurement of a group of financial assets and liabilities can be measured on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, even though they do not meet the definition of financial assets and liabilities; and (iii) IAS 40, by clarifying that reference should be made to IFRS 3 to determine whether or not the acquisition of investment property constitutes a business combination.

The above amendments relate to events that currently do not apply to the Italgas Group; consequently, they have had no effect on the Group's situation with regard to its balance sheet, income statement and financial position.

2) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 – "Consolidated Financial Statements". Specifically, control exists where the controlling entity simultaneously:

- has the power to make decisions concerning the investee entity;
- is entitled to receive a share of or is exposed to the variable profits and losses of the investee entity;
- is able to exercise power over the investee entity in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an investee entity depends.

Consolidated companies, companies jointly controlled with other shareholders, associated companies as well as other significant investments are clearly indicated under "List of investments", which is an integral part of these notes. The same appendix lists the changes that took place in the scope of consolidation between 31 December 2015 compared with 31 December 2014 and compared with 31 December 2013.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

Companies included in the scope of consolidation

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.

The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of



the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the investee entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income.

Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Equity investments in associates and joint ventures

An associate is an investee company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies, but does not have control or joint control³. It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Equity investments in associates and joint ventures are measured using the equity method, as described under "Equity-accounted investments".

Business combinations

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

The shareholders' equity of these investee companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the

³ Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.



“full goodwill method”). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill (partial goodwill method or full goodwill method) is made based on each individual business combination transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as “business combinations of entities under common control”. Such transactions do not fall within the scope of application of IFRS 3, and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired⁴. The assets are measured at the book values from the financial statements of the companies being acquired pre-dating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. Where the transfer values are higher than such historical values, the surplus is eliminated by reducing the shareholders' equity of the acquiring company.

Intragroup transactions that are eliminated in the consolidation process

Unrealised gains from transactions between consolidated companies are eliminated, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3) MEASUREMENT CRITERIA

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at cost and recorded at the purchase, transfer or production cost, including directly allocable ancillary costs needed to make the assets available for use. When a significant period of time is needed to make the asset ready for use, the purchase, transfer or production cost includes the financial expense which theoretically would have been saved during the period needed to make the asset ready for use, if the investment had not been made.

⁴ Accounting treatment proposed by Assirevi in the Preliminary Guidelines on IFRS (OPI No.1) - “Accounting treatment of Business combinations of entities under common control in the separate and consolidated financial statements”.



If there are current obligations to dismantle and remove the assets and restore the sites, the book value includes the estimated (discounted) costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision. The accounting treatment for revisions in these cost estimates, the passage of time and the discount rate are indicated in the paragraph "Provisions for risks and charges".

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they incurred.

Depreciation of property, plant and equipment

Starting when the asset is available and ready for use, property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The annual depreciation rates used are presented below by standardised categories.

Annual amortisation rate (%)

Land and buildings	
Industrial buildings	2%
Civil buildings	3%
Plant and equipment	
Other	4%
Industrial and commercial equipment	
Office furniture and machinery	12% - 33.3%
Transportation vehicles	20% - 25%

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale and discontinued operations" section).

Depreciation rates are reviewed each year and are altered if the current estimated useful life of an asset differs from the previous estimate. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

Assets under finance leases

Assets under finance leases, or under agreements which may not take the specific form of a finance lease, but call for the essential transfer of the benefits and risks of ownership, are recorded at the lower of fair value less fees payable by the lessee and the present value of minimum lease payments, including any sum payable to exercise a call option, under property, plant and equipment as a contra-entry to the financial debt



to the lessor. The assets are depreciated using the criteria and rates adopted for owned property, plant and equipment. When there is no reasonable certainty that the right of redemption can be exercised, depreciation takes place during the shorter of the term of the lease and the useful life of the asset.

Leases under which the lessee maintains nearly all of the risks and benefits associated with ownership of the assets are classified as operating leases. In this case, the lessee incurs only costs for the period in the amount of the lease expenses set out in the contract, and does not record fixed assets.

Intangible assets

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. The ability to identify these assets rests in the ability to distinguish intangible assets purchased from goodwill. Normally this requirement is satisfied when: (i) the intangible assets are related to a legal or contractual right, or (ii) the asset is separable, i.e. it can be sold, transferred, leased or exchanged independently, or as an integral part of other assets. The company's control consists of the power to utilise future economic benefits deriving from the asset and the ability to limit access to it by others. Intangible assets are recorded at cost, which is determined using the criteria indicated for property, plant and equipment. They may not be revalued, even through the application of specific laws.

Technical development costs are allocated to the balance sheet assets when: (i) the cost attributable to the intangible asset can be reliably determined; (ii) there is the intent, availability of financial resources and technical capability to make the asset available for use or sale; and (iii) it can be shown that the asset is capable of producing future economic benefits.

Alternatively, costs for the acquisition of new knowledge or discoveries, investigations into products or alternative processes, new techniques or models, or the design and construction of prototypes, or incurred for other scientific research or technological developments, which do not meet the conditions for disclosure under balance sheet assets are considered current costs and charged to the income statement for the period in which they are incurred.

Service concession agreements

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable under the scope of the public service of natural gas distribution, i.e. applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by the AEEGSI, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

Amortisation of intangible assets

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The annual depreciation rates used are presented below by standardised categories.

**Annual amortisation rate (%)**

Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	2.5% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	2% - 5%
- Principal and secondary facilities	5% - 6%
- Gas derivation plants	2.5% - 5.4%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation.

Grants

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of their related assets. Similarly, capital grants received from private entities are recognised in accordance with the same regulatory provisions.

Operating grants are recognised in the income statement on an accruals basis, consistent with the relative costs incurred.

Impairment of non-financial fixed assets*Impairment of property, plant and equipment and intangible assets with a finite useful life*

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Measurement at fair value") or the value in use, whichever is greater.

Value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows. The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("cash-generating units" or CGUs).

The value of property, plant and equipment classed under regulated assets is determined by taking into consideration: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; and (ii) any value that the group expects to recover from their sale or at the end of the concession governing the service for which they are intended. As with the



quantification of tariffs, the quantification of the recoverable value of property, plant and equipment classed under regulated assets is done on the basis of the regulatory provisions in force.

With reference in particular to distribution, the definition of the scope of the CGUs takes into account all assets and liabilities that are bound together by indivisibility restrictions within each individual concession.

If the reasons for impairment losses no longer apply, the assets are revalued and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any depreciation that would have been recorded if an impairment loss had not been recorded for the asset.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

Investments valued using the equity method

Equity investments in joint ventures and associates are valued using the equity method.

When there are no significant effects on the balance sheet, cash flow statement and income statement, associates not included in the scope of consolidation are valued using the equity method.

In applying the equity method, investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the investee after the date of acquisition, and (ii) the share of the other components of comprehensive income of the investee. Dividends paid out by the investee are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the investments previously held at assumption of association is posted to the income statement, including any components recognised under other components of comprehensive income. When the transferral of equity investments entails loss of joint control or significant influence over the investee company, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the investee company that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".



When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the investee company, greater than the investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the subsidiary/associate, or, in any event, to covering its losses.

Inventories

Inventories, including compulsory inventories, are recorded at the lower of purchase cost and net realisation value, which is the amount that is expected to be received from their sale in the normal course of business.

The cost of inventories is determined using the weighted average cost method.

Financial instruments

The financial instruments held are included in the following balance sheet items:

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds to the fair value.

Trade and other receivables and other assets

Trade and other receivables and other assets are valued when the comprehensive fair value of the costs of the transaction (e.g. commission, consultancy fees, etc.) are first recognised. The initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording (the amortised cost method).

Where there is actual evidence of impairment, the impairment loss is calculated by comparing the book value with the current value of anticipated cash flows discounted at the effective interest rate defined at the time of the initial recognition, or at the time of its updating to reflect the contractually defined repricing. There is objective evidence of impairment when, *inter alia*, there are significant breaches of contract, major financial difficulties or the risk of counterparty insolvency.

Receivables are shown net of provisions for impairment losses; this provision, which is previously created, may be used if there is an assessed reduction in the asset's value or due to a surplus. If the reasons for a previous write-down cease to be valid, the value of the asset is restored up to the value of applying the amortised cost if the write-down had not been made.

The economic effects of measuring at amortised cost are recorded in the "Financial income (expense)" item.

Financial assets that are disposed of are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument are realised, expire or are transferred to third parties.



Financial liabilities

Financial liabilities, including financial debt, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in “Trade and other receivables and other assets” above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Fair-value measurements

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its maximum and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The determination of the fair value of a liability takes into account the risk that the Company may not be able to honour its obligations (“non-performance risk”).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that can be accessed as at the valuation date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

Non-current assets held for sale and discontinued operations

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This



condition is regarded as fulfilled when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly related liabilities are recognised in the balance sheet separately from the Company's other assets and liabilities.

Non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated, and are measured at the lower of book value and the related fair value, less any sales costs (see "Fair-value measurements" above). The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Non-current assets and current and non-current assets (and any related liabilities) of disposal groups, classified as held for sale, constitute discontinued operations if, alternatively: (i) they represent a significant independent business unit or a significant geographical area of business; (ii) they are part of a programme to dispose of a significant independent business unit or a significant geographical area of business; or (iii) they pertain to a subsidiary acquired exclusively for the purpose of resale. The results of discontinued operations, as well as any capital gains/losses realised on the disposal, are disclosed separately in the income statement as a separate item, net of related tax effects, including for the periods under comparison.

In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether an investment is maintained following the sale.



Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at the value representing the best estimate of the amount that the Company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits arising from the contract, and the cost of terminating the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset, and posting to the income statement is accomplished through amortisation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Provisions for employee benefits

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

• Defined-benefit plans

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur, and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.



Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in “Finance expense (income)”.

• Defined-contribution plans

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term plans

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Distribution of dividends

The distribution of dividends to the Company's shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's shareholders or, in the case of interim dividends, by the Board of Directors.

Revenue

Revenue from sales and the provision of services is recognised upon the effective transfer of the risks and benefits typically relating to ownership or on the fulfilment of the service when it is likely that the financial benefits deriving from the transaction will be realised by the vendor or the provider of the service.

Revenue is recognised at the fair value of the payment received or to be received.

As regards the activities carried out the moment of recognition of the revenue coincides with the provision of the service. The largest share of core revenue relates to regulated revenue, which is governed by the regulatory framework established by the AEEGSI. Therefore, the economic terms and conditions of services provided are defined in accordance with regulations rather than negotiations. With regard to the distribution segment, any difference between the revenue recognised by the regulator and the accrued revenue is recognised in the balance sheet item “Trade and other receivables”, if positive, and in the item “Trade and other payables”, if negative, inasmuch as it will be subject to cash settlement with the Energy and Environmental Services Fund (CSEA)⁵.

Allocations of revenue relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the relative costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenue in the income statement. When the agreement stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the

⁵ Law No. 208 of 28 December 2015, (2016 Stability Law) makes provision in Article 1, paragraph 670, for the transformation of the Electricity Equalisation Fund (CCSE) into a state-controlled company called the Energy and Environmental Services Fund (CSEA) as of 1 January 2016. The transformation of the CCSE into a state-controlled company and the change of name does not in any way, either cause discontinuity in the functional relations of the CSEA (formerly the CCSE) with regulated parties or with suppliers.



revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset.

Revenue is recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes.

Revenue is reported net of items involving tariff components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received are paid in full to the Energy and Environmental Services Fund. Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenue" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenue and costs.

Dividends received

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

Costs

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Fees relating to operating leases are charged to the income statement for the duration of the contract.

Costs incurred for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

Income taxes

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/ recovered to/ from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding corporation tax, Snam has exercised the option to join the national tax consolidation scheme, to which all the Snam consolidated companies have officially signed up⁶. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Snam Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Snam. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate balance sheet, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Snam in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".

Deferred and prepaid income taxes are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based

⁶ For the Italgas Group this refers to Italgas and Napoletanagas. AES Torino (the subject of a merger into Italgas with effect from 1 January 2016) and Acam Gas are not included.



on the prevailing tax regulations and rates or those essentially approved for future years. Prepaid tax assets are recognised when their recovery is considered probable; specifically, the recoverability of prepaid tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Prepaid tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item "Prepaid tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

4) FINANCIAL STATEMENTS⁷

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- the balance sheet items are broken down into assets and liabilities, and then further into current or non-current items;
- the income statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- the statement of comprehensive income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- the statement of changes in shareholders' equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in shareholders' equity;
- the cash flow statement is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its balance sheet, income statement and financial position.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note – "Related-party transactions", are shown separately in the financial statements.

In compliance with IAS 1, unless otherwise stated, comparative data refer to the years 2014 and 2013.

5) USE OF ESTIMATES

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may

⁷ The financial statements are the same as those adopted for the 2014 Annual Report.



differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the critical accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimations regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimations used could have a significant impact on subsequent results.

Impairment of assets

Assets are impaired when events or changes in circumstances give cause to believe that the book value is not recoverable. The events which may give rise to an impairment of assets include changes in business plans, changes in market prices or reduced use of plants. The decision on whether to apply an impairment and the quantification of any such impairment depend on the Company's management assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on production costs, production profiles and conditions of supply and demand.

The impairment is determined by comparing the book value with the related recoverable value, represented by the greater of the fair value, net of disposal costs, and the value in use, determined by discounting the expected cash flows deriving from the use of the asset. The expected cash flows are quantified in the light of the information available at the time of the estimate, on the basis of subjective judgements regarding future trends in variables – such as prices, costs, the rate of growth of demand and production profiles – and are updated using a rate that takes account of the risk inherent to the asset concerned.

More information on the impairment test carried out by the Company's management on property, plant and equipment and on intangible assets can be found in the "Impairment of non-financial fixed assets" section.

Business combinations

The reporting of business combination transactions involves the allocation to the assets and liabilities of the acquired company of the difference between the acquisition cost and the net book value. For the majority of assets and liabilities, the attribution of the difference is carried out by recognising the assets and liabilities at their fair value. The unattributed portion, if positive, is recognised as goodwill; if negative, it is attributed to the income statement. In the allocation process, the Snam Group draws on the available information and, for the most significant business combinations, on external valuations.

Environmental liabilities

The Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. With reference to this legislation, when it is probable that the existence and amount of a large liability can be reliably estimated, provisions are made for the associated costs.

The Group does not currently believe that there will be any particularly significant negative effects on its financial statements due to non-compliance with environmental legislation, including taking account of the interventions already made, however it cannot be ruled out that Italgas might incur substantial additional costs or responsibilities, since with the current state of knowledge it is impossible to foresee the effects of future developments, in view of factors such as: (i) the possible emergence of contamination; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any



technological innovations for environmental cleansing; and (v) the possibility of disputes and the difficulty of determining the possible consequences, including in relation to the liability of other parties and to possible compensation payments.

Provisions for employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities (assets) in employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are referred to as actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine obligations relating to other long-term benefits; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

Provisions for risks and charges

In addition to recognising environmental liabilities and liabilities relating to employee benefits, Italgas makes provision mainly for legal and tax disputes. The estimate of the provisions for these purposes is the result of a complex process involving subjective judgements on the part of the Company's management.

6) RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting standards and interpretations issued by the IASB/IFRIC and approved by the European Commission, but not yet in force

The main accounting standards and interpretations approved by the European Commission in 2015 but not yet in force are listed and described below.

Through regulation no. 2015/2173, issued by the European Commission on 24 November 2014, the regulatory provisions of the document "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)", issued by the IASB on 6 May 2014, were approved. The document governs the accounting treatment to be applied to acquisitions of initial or additional interests in joint operations (that do not alter the categorisation of the interest as such), falling within the definition of business pursuant to IFRS 3.

Commission Regulation (EU) 2015/2231 of 2 December 2015 approved the regulatory provisions contained in the document "Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS



16 and IAS 38)", issued by the IASB on 12 May 2014 with the aim of clarifying that an amortisation method based on revenue generated by the asset (the revenue-based method) is not regarded as appropriate as it exclusively reflects the revenue flows generated by this asset, rather than the way in which the economic benefits incorporated in the asset are consumed. In the case of intangible assets, this presumption may be overcome if: (i) the right to use the asset is related to the achievement of a predetermined revenue threshold to be produced; or (ii) it can be shown that the achievement of revenue and use of the economic benefits generated by the assets are closely correlated.

Commission Regulation (EU) 2015/2343 of 15 December 2015 approved the regulatory provisions contained in the "Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle", issued by the IASB on 25 September 2014. The document: (i) in relation to IFRS 5, clarifies that any change in the classification of an asset (or disposal group) from held for sale to held for distribution to shareholders (or vice-versa) should be considered as a continuation of the original disposal plan rather than as a new plan; (ii) in relation to IFRS 7 – "Financial Instruments: Disclosures", provides additional guidance on determining whether there is continued involvement in transferred financial assets, in the case where there is a related servicing contract, in order to establish the level of disclosure required. In relation to the same standard, it also clarifies the applicability of disclosure required on the offsetting of financial assets and liabilities in interim financial statements; (iii) in relation to IAS 19, clarifies that the rate used to discount bonds must be determined using the market yields on leading corporate bonds denominated in the same currency used to pay benefits rather than at country level; and (iv) in relation to IAS 34, clarifies the meaning of disclosure "elsewhere in the interim financial report", specifying that this information must be available in the same time frames.

Through regulation no. 2015/2406, issued by the European Commission on 18 December 2015, the regulatory provisions of the document "Disclosure Initiative (Amendments to IAS 1)", issued by the IASB on 18 December 2014, were approved. The document includes a number of clarifications relating to materiality, any disaggregation of items, the structure of the explanatory notes, information on the accounting policies used and the presentation of other components of comprehensive income arising from the valuation of equity investments using the equity method.

On the same date, the European Commission issued Regulation (EU) 2015/2441, approving the regulatory provisions contained in the document "Equity Method in Separate Financial Statements", issued by the IASB on 12 August 2014, which permits the recognition in the separate financial statements of investments in subsidiaries, joint ventures and associates using the equity method, as well as at cost or pursuant to IAS 39 (the two methods already permitted). The selected accounting option must be applied consistently for each category of equity investment. The same amendment consequently also modified the definition of separate financial statements.

The provisions contained in the aforementioned documents will take effect from financial years starting on or after 1 January 2016.

On 9 January 2015, Commission Regulations (EU) 2015/28 and 2015/29 of 17 December 2014, were published in the Official Journal of the European Union. The Regulations approved, respectively: (i) the regulatory provisions contained in the document "Annual Improvements to International Financial Reporting Standards 2010-2012 Cycle"; and (ii) the amendments to IAS 19 in the provisions in the document "Defined-Benefit Plans: Employee Contributions (Amendments to IAS 19)".

The provisions contained in the document "Annual Improvements to International Financial Reporting Standards 2010-2012 Cycle" introduced amendments to: (i) IFRS 2, by clarifying the definition of "vesting condition" and adding definitions of service and result conditions; (ii) IFRS 3, by clarifying that obligations to pay contingent considerations, other than those defined as equity instruments, are measured at fair value through profit or loss at each reporting date; (iii) IFRS 8, by requiring disclosure of the judgements made by management in aggregating the operating segments, including a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics; (iv) IAS 16 and IAS 38, by clarifying the way in which the



gross carrying amount is calculated when revaluation takes place; and (v) IAS 24, by establishing the information to be provided when a third party provides key management personnel services to the reporting entity.

The amendments to IAS 19 allow contributions paid by employees or third parties that are independent of the number of years of service to be recognised as a reduction in the current service cost for the period, instead of attributing these contributions across the entire time period in which the service is rendered.

The provisions of the latter two regulations apply to years starting on or after 1 February 2015 (the 2016 financial year in the case of the Snam Group).

Accounting standards and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission

The following are newly issued accounting standards and interpretations for which the approval process by the European Commission has not yet been completed.

On 30 January 2014, the IASB issued the document "IFRS 14 Regulatory Deferral Accounts", the interim standard for the Rate-regulated Activities project. The document's scope includes First-time Adopters which, according to the provisions of IFRS 14, are allowed to continue recognising amounts related to rate-regulated activities in accordance with the previous standards. The European Commission decided not to begin the approval process for this standard until the definitive version of the standard has been issued.

On 28 May 2014, the IASB issued the document "IFRS 15 – Revenue from Contracts with Customers", which provides a single model for recognising revenue based on the transfer of control of a good or service to a customer, not necessarily coinciding with the concept of the transferral of risks and benefits currently in force. It provides a more structured approach to the measurement and recognition of revenue, with a detailed implementation guide that includes, for example, recognition of variable fees.

After the changes introduced by the amendment issued on 11 September 2015, the provisions of IFRS 15 will take effect from financial years starting on or after 1 January 2018, notwithstanding any subsequent deferrals established upon approval by the European Commission.

On 24 July 2014, the IASB issued the document "IFRS 9 - Financial Instruments", together with the relevant Basis for Conclusions and Implementation Guidance, to replace all previously issued versions of the standard. The new provisions: (i) amend the classification categories for financial instruments and provide for this classification to be based on the characteristics of the instrument and the business model of the company in question; (ii) remove the obligation to separate embedded derivatives; (iii) identify a new impairment model that uses forward-looking information to bring forward the recognition of credit losses compared with the incurred-loss model, which delays recognition until a loss event takes place; and (iv) introduce substantial reforms to the qualification of hedge transactions in order to ensure that hedges are aligned with the companies' risk management strategies and founded on a more principle-based approach.

The provisions of the aforementioned texts, which replace those contained in IAS 39 - "Financial Instruments: Recognition and Measurement", will take effect from financial years starting on or after 1 January 2018, notwithstanding any subsequent deferrals established upon approval by the European Commission.

On 11 September 2014, the IASB issued the document "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28". In particular, the aim of the amendments is to provide a more detailed definition of the accounting treatment and the recognition of related effects in the income statement of the loss of control of an investee company due to its transferral to an associate or joint venture. The accounting treatment used in the investor's financial statements depends on whether the object of the transaction is or is not a business as defined by IFRS 3. On 17 December 2015, the IASB indefinitely deferred the adoption date for the regulatory provisions in this document.



On 18 December 2014, the IASB issued the document "Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28", which clarifies the issues relating to the application of the consolidation exception for investment entities. The provisions in the document would take effect in years starting on or after 1 January 2016; to date, the document has not been approved by the European Commission.

On 13 January 2016, the IASB issued the document "IFRS 16 – Leases". In considering that all leases consist of attributing to an entity the right to use an asset for a specified period of time in exchange for a consideration, and the fact that, if the payment of this consideration takes place throughout the contractual period, the entity is implicitly obtaining a loan, IFRS 16 eliminates the distinction between finance leases and operating leases, and introduces, for lessees, a single accounting model for recognising leases. When applying the model, the entity recognises (i) assets and liabilities for all leases longer than 12 months, unless the good in question is of insignificant value, and (ii) separately in the income statement, the amortisation of the asset recognised and the interest on the payable entered. The measures contained in IFRS 16 will take effect from financial years starting on or after 1 January 2019, notwithstanding any subsequent deferrals established upon approval by the European Commission.

On 19 January 2016, the IASB issued the document "Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12", which clarifies that unrealised losses on debt securities recognised at fair value and at cost for tax purposes give rise to deductible temporary differences; it also clarifies that the estimate of future taxable income (i) includes income arising from the realisation of assets for amounts higher than the relative book value; and (ii) excludes the reversal of deductible temporary tax differences. These measures will take effect from financial years starting on or after 1 January 2017, notwithstanding any subsequent deferrals established upon approval by the European Commission.

Snam is analysing the standards in question, where applicable, to assess whether their adoption will have a significant impact on the financial statements.



7) Cash and cash equivalents

Cash and cash equivalents relate to current account deposits at credit institutions.

The book value of cash and cash equivalents approximates to their fair value. They are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the cash flow statement.

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Banks and post office accounts		47	2	(45)	47	(95.7%)	
		47	2	(45)	47	(95.7%)	

2015 vs 2014

The change equal to -€45 million compared with 31 December 2014, is due, in the main, to the use of the deposit account created in 2014 to close the acquisition by Italgas S.p.A. of 51% of Acam Gas S.p.A. which took place on 1 April 2015 (€46 million).

2014 vs 2013

The change equal to €47 million compared with 31 December 2013, mainly relates to the cash deposits at a credit institution for the acquisition, by Italgas S.p.A., of the remaining part of the stake in Acam Gas S.p.A. (€46 million).

8) Trade and other receivables

The breakdown of trade and other receivables is as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Trade receivables	357	402	456	54	45	13.4%	12.6%
Financial receivables	2				(2)		
Receivables from investment/divestment activities	6	5	6	1	(1)	20.0%	(16.7%)
Other receivables	129	121	113	(8)	(8)	(6.6%)	(6.2%)
	494	528	575	47	34	8.9%	6.9%


ITALGAS
Italgas 2013 - 2015 Consolidated Financial Statements

Trade and other receivables are recorded net of the provision for impairment losses:

(€ million)

	Provisions for impairment losses at 31.12.2012	provisions	uses	Other changes	Provisions for impairment losses at 31.12.2013
Trade receivables	30	1	(6)	1	26
Other receivables	1				1
	31	1	(6)	1	27

(€ million)

	Provisions for impairment losses at 31.12.2013	provisions	uses	Other changes	Provisions for impairment losses at 31.12.2014
Trade receivables	26	1	(1)	1	27
Other receivables	1				1
	27	1	(1)	1	28

(€ million)

	Provisions for impairment losses at 31.12.2014	provisions	uses	Other changes	Provisions for impairment losses at 31.12.2015
Trade receivables	27	3	(7)	(2)	21
Other receivables	1				1
	28	3	(7)	(2)	22

The fair value of trade and other receivables corresponds to the book value. All receivables are in euros.

2015 vs 2014

Trade receivables, equal to €456 million, rose by €54 million (+13.4%) compared with 31 December 2014 and involve receivables for the gas vectoring service and ancillary services from Eni S.p.A. (€116 million), receivables from third-party customers (€240 million) and receivables from the CSEA relating to the equalisation system⁸ (€100 million).

2014 vs 2013

Trade receivables, equal to €402 million, rose by €45 million (+12.3%) compared with 31 December 2013 mainly with regard to the change in the scope of consolidation (AES Torino +€25 million). They mainly involve receivables for the gas vectoring service and ancillary services from Eni S.p.A. (€122 million), receivables from third-party customers (€172 million) and receivables from the CSEA relating to the equalisation system (€97 million).

⁸ The mechanism based on which the differences between what is invoiced to sales companies and the revenue restrictions defined by the Authority are recorded as debits/credits from the CSEA.



The breakdown of the other receivables is detailed below:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Receivables from CSEA	60	48	50	2	(12)	4.2%	(20.0%)
Receivables from public authorities and administration	21	21	20	(1)		(4.8%)	
Consolidated tax receivables	17	21	18	(3)	4	(14.3%)	23.5%
Group VAT receivables	1	1	1				
Other receivables	30	30	24	(6)		(20.0%)	
	129	121	113	(8)	(8)	(6.6%)	(6.2%)

2015 vs 2014

The other receivables, equal to €113 million, a fall of €8 million compared with 31 December 2014, mainly relate to: (i) receivables from the CSEA of €50 million relating to additional components of gas distribution tariffs (UG2⁹ and Bonus Gas¹⁰); (ii) receivables from public authorities and administrations equal to €20 million relating to the regulation of concession relations; (iii) receivables for national consolidated tax equal to €18 million, relating to receivables from the former parent company Eni for the repayment of IRES resulting from the partial deduction of IRAP for the tax periods from 2004 to 2007 (pursuant to Article 6, Decree Law No. 185 of 28 November 2008, converted into Law No. 2 of 28 January 2009) and for the tax period from 2007 to 2011 (pursuant to Decree Law 201/11).

2014 vs 2013

The other receivables, equal to €121 million, a fall of €8 million compared with 31 December 2013, mainly relate to: (i) receivables from the CSEA of €48 million relating to additional components of gas distribution tariffs (UG2 and Bonus Gas); (ii) receivables from public authorities and administrations equal to €21 million relating to the regulation of concession relations; (iii) receivables for national consolidated tax equal to €21 million, relating to receivables from the former parent company Eni for the repayment of IRES resulting from the partial deduction of IRAP for the tax periods from 2004 to 2007 (pursuant to Article 6, Decree Law No. 185 of 28 November 2008, converted into Law No. 2 of 28 January 2009) and for the tax period from 2007 to 2011 (pursuant to Decree Law 201/11).

Receivables from related parties are described in the note "Related-party transactions".

⁹ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

¹⁰ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.



9) Inventories

The inventories break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Warehouse materials	11	15	19	4	4	26.7%	36.4%
Ongoing contract work							
	11	15	19	4	4	26.7%	36.4%

2015 vs 2014

Inventories, worth €19 million, increased by €4 million compared with 31 December 2014 in relation to the gas meter replacement plan¹¹. There are no guarantees on the inventories and there were no impairment losses.

2014 vs 2013

Inventories, worth €15 million, increased by €4 million compared with 31 December 2013 in relation to the gas meter replacement plan. There are no guarantees on the inventories and there were no impairment losses.

10) Current income tax assets/liabilities and other current tax assets/liabilities

Current income tax assets/liabilities and other current tax assets/liabilities break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Current income tax assets	13	14	8	(6)	1	(42.9%)	7.7%
- IRES	8	9	7	(2)	1	(22.2%)	12.5%
- IRAP	5	5	1	(4)		(80.0%)	
- Other assets							
Other current tax assets	2	3	4	1	1	33.3%	50.0%
- VAT	1	1	2	1			
- Other taxes	1	2	2		1		
	15	17	12	(5)	2	(29.4%)	13.3%
Current income tax liabilities	(1)	(1)	(1)				
- IRES	(1)	(1)	(1)				
- IRAP							
- Other assets							
Other current tax liabilities	(23)	(12)	(9)	3	11	(25.0%)	(47.8%)
- VAT	(16)	(4)	(1)	3	12	(75.0%)	(75.0%)
- IRPEF withholdings for employees	(6)	(7)	(7)		(1)		16.7%
- Other taxes	(1)	(1)	(1)				
	(24)	(13)	(10)	3	11	(23.1%)	(45.8%)

¹¹ The replacement of meters was laid down by Authority resolution 631/2013 and later amendments and supplements.



2015 vs 2014

Current assets for income tax, equal to €8 million, fell by €6 million and involve IRES receivables for greater part payment of taxes equal to €7 million (-€2 million compared with 2014) and IRAP receivables of €1 million (-€4 million compared with 2014).

Current assets for other taxes, equal to €4 million, rose by €1 million compared with 2014 and refer to VAT receivables of €2 million (+€1 million compared with 2014) and excise duty receivables of €2 million (unchanged compared with 2014).

Current liabilities for other taxes, equal to €9 million, (€12 million at 31 December 2014) mainly refer to VAT payables of €1 million (-€3 million compared with 2014) and IRPEF withholdings for employees of €7 million (unchanged compared with 2014).

Taxes pertaining to the year under review are shown in the note - "Income taxes".

2014 vs 2013

Current assets for income tax, equal to €14 million, rose by €1 million and involve IRES receivables for greater part payment of taxes equal to €9 million (+€1 million compared with 2013) and IRAP receivables of €5 million (unchanged compared with 2013).

Current assets for other taxes, equal to €3 million, rose by €1 million compared with 2013 and refer to VAT receivables of €1 million (unchanged compared with 2013) and excise duty receivables of €2 million (+€1 million compared with 2013).

Current liabilities for other taxes, equal to €12 million, (€23 million at 31 December 2013) mainly refer to VAT payables of €4 million (-€12 million compared with 2013) and IRPEF withholdings for employees of €7 million (+€1 million compared with 2013).

11) - Other current and non-current assets

The other current and non-current assets break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Other current assets	2	2	3	1		50.0%	
- Prepayments	1	1	1				
- Security deposits	1	1	1				
- Other			1	1			
Other non-current assets	4	3	5	2	(1)	66.7%	(25.0%)
- Prepayments							
- Security deposits	3	3	2	(1)		(33.3%)	
- Other	1		3	3	(1)		
	6	5	8	3	(1)	60.0%	(16.7%)

2015 vs 2014

Other assets (€8 million at 31 December 2015, of which €5 million non-current) rose by €3 million compared with 2014 mainly through the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters (+€4 million). This change is partly offset by the reduction in security deposits (€3 million at 31 December 2015: -€1 million compared with 2014).

**2014 vs 2013**

Other assets (€5 million at 31 December 2014 of which €3 million non-current) fell by €1 million compared with 2013 and relate mainly to security deposits (€4 million at 31 December 2014).

12) Property, plant and equipment

Property, plant and equipment break down as follows:

	31.12.2013						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Non-current assets under construction and payments on account	Total
(€ million)							
Cost at 31.12.2012	9	310	11	151		2	483
Investments		3		4		3	10
Change in scope of consolidation							
Disposals				(3)			(3)
Other changes		1				(1)	
Cost at 31.12.2013	9	314	11	152		4	490
Provisions for amortisation and depreciation at 31.12.2012		(138)	(4)	(125)			(267)
Total amortisation and depreciation		(5)		(9)			(14)
Change in scope of consolidation							
Disposals				3			3
Other changes							
Provisions for amortisation and depreciation at 31.12.2013		(143)	(4)	(131)			(278)
Provision for impairment losses at 31.12.2012			(4)				(4)
(Impairment losses)/reversals							
Provision for impairment losses at 31.12.2013			(4)				(4)
Net balance at 31.12.2012	9	172	3	26		2	212
Net balance at 31.12.2013	9	171	3	21		4	208



	31.12.2014						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Non-current assets under construction and payments on account	Total
<i>(€ million)</i>							
Cost at 31.12.2013	9	314	11	152		4	490
Investments		2		7		3	12
Change in scope of consolidation	2	37	1	12	2		54
Disposals				(3)			(3)
Other changes		(7)		(6)	(2)	(6)	(21)
Cost at 31.12.2014	11	346	12	162		1	532
Provisions for amortisation and depreciation at 31.12.2013		(143)	(4)	(131)			(278)
Total amortisation and depreciation		(6)		(8)			(14)
Change in scope of consolidation		(17)	(1)	(5)	(2)		(25)
Disposals				2			2
Other changes		7		4	2		13
Provisions for amortisation and depreciation at 31.12.2014		(159)	(5)	(138)			(302)
Provision for impairment losses at 31.12.2013			(4)				(4)
<i>(Impairment losses)/reversals</i>							
Provision for impairment losses at 31.12.2014			(4)				(4)
Net balance at 31.12.2013	9	171	3	21		4	208
Net balance at 31.12.2014	11	187	3	24		1	226



ITALGAS

Italgas 2013 - 2015 Consolidated Financial Statements

	31.12.2015						Total
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Non-current assets under construction and payments on account	
<i>(€ million)</i>							
Cost at 31.12.2014	11	346	12	162		1	532
Investments		2		4		13	19
Change in scope of consolidation		1					1
Disposals		(1)		(4)			(5)
Other changes				13		(13)	
Cost at 31.12.2015	11	348	12	175		1	547
Provisions for amortisation and depreciation at 31.12.2014		(159)	(5)	(138)			(302)
Total amortisation and depreciation		(6)		(8)			(14)
Change in scope of consolidation							
Disposals				3			3
Other changes							
Provisions for amortisation and depreciation at 31.12.2015		(165)	(5)	(143)			(313)
Provision for impairment losses at 31.12.2014			(4)				(4)
<i>(Impairment losses)/reversals</i>							
Provision for impairment losses at 31.12.2015			(4)				(4)
Net balance at 31.12.2014	11	187	3	24		1	226
Net balance at 31.12.2015	11	183	3	32		1	230

2015 vs 2014

Land and buildings (€194 million) mainly include buildings for office-use, workshops, warehouses and depots used by the organisational units of the companies.

Plant and machinery (€3 million) mainly relate to the complex of infrastructures dedicated to heat distribution.

Industrial and commercial equipment (€32 million) relate specifically to motor vehicles (€15 million), ICT infrastructures (€9 million) and other equipment (€8 million).

Investments recorded in the period, equal to €19 million, relate to external costs directly allocated to balance sheet assets.

There are no constraints or commitments on property investments.

Depreciation and amortisation losses (€14 million) refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company.

During the period there were no significant changes in the estimated useful life of assets and the depreciation coefficients applied compared with 31 December 2014.

There were no impairment losses or reversals.



There is no leased property, plant or equipment recorded under tangible assets.

2014 vs 2013

Land and buildings (€198 million) mainly include buildings for office-use, workshops, warehouses and depots used by the organisational units of the companies. The increase of €18 million over the previous year is mainly due to the change in the scope of consolidation (AES Torino +€22 million).

Plant and machinery (€3 million) mainly relate to the complex of infrastructures dedicated to heat distribution.

Industrial and commercial equipment (€24 million) relate specifically to motor vehicles (€9 million), ICT infrastructures (€7 million) and other equipment (€7 million). The change of €3 million over the previous year is mainly due to the change in the scope of consolidation (AES Torino +€7 million).

Investments recorded in the period, equal to €12 million, relate to external costs directly allocated to balance sheet assets.

There are no constraints or commitments on property investments.

Depreciation and amortisation losses (€14 million) refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company.

There were no impairment losses or reversals. There is no leased property, plant or equipment recorded under tangible assets.



13) Intangible assets

Intangible assets break down as follows:

	31.12.2013						
	Finite useful life					Indefinite useful life	
	Service concession agreements	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Non-current assets under construction and payments on account	Other intangible assets	Goodwill	Total
(€ million)							
Cost at 31.12.2012	5,991	216		8	9	9	6,233
Investments	274	10		18	1		303
Change in scope of consolidation							
Disposals	(6)						(6)
Other changes	(26)	24		(16)			(18)
Cost at 31.12.2013	6,233	250		10	10	9	6,512
Provisions for amortisation and depreciation at 31.12.2012	(2,223)	(173)			(4)		(2,400)
Total amortisation and depreciation	(182)	(17)			(1)		(200)
Change in scope of consolidation							
Disposals	(3)						(3)
Other changes	35	(8)					27
Provisions for amortisation and depreciation at 31.12.2013	(2,373)	(198)			(5)		(2,576)
Provision for impairment losses at 31.12.2012	(1)						(1)
Impairment losses							
Provision for impairment losses at 31.12.2013	(1)						(1)
Net balance at 31.12.2012	3,767	43		8	5	9	3,832
Net balance at 31.12.2013	3,859	52		10	5	9	3,935



	31.12.2014						
	Finite useful life					Indefinite useful life	
	Service concession agreements	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Non-current assets under construction and payments on account	Other intangible assets	Goodwill	Total
(€ million)							
Cost at 31.12.2013	6,233	250		10	10	9	6,512
Investments	281	9		19	3		312
Change in scope of consolidation	277						277
Disposals	(37)						(37)
Other changes	91	17		(17)			91
Cost at 31.12.2014	6,845	276		12	13	9	7,155
Provisions for amortisation and depreciation at 31.12.2013	(2,373)	(198)			(5)		(2,576)
Total amortisation and depreciation	(210)	(19)			(2)		(231)
Change in scope of consolidation	(16)	(11)			(5)		(32)
Disposals	23	1					24
Other changes	(69)	10			4		(55)
Provisions for amortisation and depreciation at 31.12.2014	(2,645)	(217)			(8)		(2,870)
Provision for impairment losses at 31.12.2013	(1)						(1)
Impairment losses							
Provision for impairment losses at 31.12.2014	(1)						(1)
Net balance at 31.12.2013	3,859	52		10	5	9	3,935
Net balance at 31.12.2014	4,199	59		12	5	9	4,284



31.12.2015							
	Finite useful life					Indefinite useful life	Total
	Service concession agreements	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Non-current assets under construction and payments on account	Other intangible assets	Goodwill	
(€ million)							
Cost at 31.12.2014	6,845	276		12	13	9	7,155
Investments	288	6		31	16		341
Change in scope of consolidation	137						137
Disposals	(37)						(37)
Other changes	16	28		(26)			18
Cost at 31.12.2015	7,249	310		17	29	9	7,614
Provisions for amortisation and depreciation at 31.12.2014	(2,645)	(217)			(8)		(2,870)
Total amortisation and depreciation	(231)	(22)			(6)		(259)
Change in scope of consolidation	(33)						(33)
Disposals	25						25
Other changes	(4)						(4)
Provisions for amortisation and depreciation at 31.12.2015	(2,888)	(239)			(14)		(3,141)
Provision for impairment losses at 31.12.2014	(1)						(1)
Impairment losses							
Provision for impairment losses at 31.12.2015	(1)						(1)
Net balance at 31.12.2014	4,199	59		12	5	9	4,284
Net balance at 31.12.2015	4,360	71		17	15	9	4,472

Service concession agreements equal to €4,360 million (€4,199 million at 31 December 2014 and €3,859 million at 31 December 2013) include:

- concessions, licences, trademarks and similar rights relating to expenses for future use incurred through the signing or renewal of gas distribution service concession agreements.
- land and buildings used in operations mainly involving areas pertinent to buildings and pressure reduction chambers;
- plant and machinery related mainly to the complex of infrastructures dedicated to natural gas distribution, including:
 - (i) the distribution network, composed of street conduits;
 - (ii) connections, essentially made up of sections of piping through which the redelivery points at the end user are connected to the distribution network;



- (iii) withdrawal, pressure reduction and metering equipment at the delivery point from the transportation network and pressure reduction units at the end users;
- industrial and commercial equipment which includes meters and necessary equipment for the management of the systems.

Industrial patent rights and intellectual property rights of €71 million (€59 million at 31 December 2014) mainly concern information systems and applications available for operating activities.

Fixed assets under construction and advances stand at €17 million (+€5 million compared with the previous year).

During the year, the Company capitalised €1 million of financial expenses (€1 million at 31 December 2014). The interest rate used for the capitalisation of financial expenses was between 0.944% and 4.066%.

Amortisation and depreciation for the year, equal to €259 million, was recorded based on the following criteria:

- for software purchase or production costs: amortisation and depreciation over 5 years on a straight-line basis;
- for agreement signing and renewal expenses: amortisation and depreciation on a straight-line basis for the remaining duration of the actual concession agreements.

In addition, the item agreements for Concession Services is amortised on a straight-line basis (€232 million), according to the economic-technical duration of the underlying assets as indicated in the valuation criteria.

During the period there were no significant changes in the estimated useful life of assets and the depreciation coefficients applied and explained by category within the Evaluation criteria compared with 31 December 2014.

There is no leased property, plant or equipment recorded under intangible assets.

There are no intangible assets with a finite useful life held for sale, or temporarily inactive, or subject to liability constraints and guarantees.

Impairment test for goodwill and other intangible assets with an indefinite useful life

For the purpose of determining the recoverable value, goodwill measured on the incorporation of Siciliana Gas S.p.A. in 2008, Metano Arcore S.p.A. in the first half of 2015 and the acquisition of the business units for the distribution of gas by To.Sa Costruzione S.r.l. in 2008 and by SEA S.p.A. and CO.M.E.S.T. S.r.l. in 2009 and by Cnea Gestioni S.r.l. in 2010, are allocated to the cash generating units (or business units) indicated below:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Agrigento	1	1	1				
Caltanissetta	2	2	2				
Catania 1 - North	1	1	1				
Enna	1	1	1				
Messina 2 - West	1	1	1				
Ragusa	1	1	1				
Trapani	1	1	1				
Other	1	1	1				
	9	9	9				



The Company carried out the impairment test for goodwill and other intangible assets with an indefinite useful life at 31 December 2015 adopting the same methodology used for the financial statements at 31 December 2014 and 31 December 2013.

For the purposes of determining the recoverable amount, goodwill has been allocated to the cash-generating unit (CGU) consisting of the activity carried out in a series of municipalities aggregated at a regional level. The recoverable amount of the cash-generating unit was estimated by equity/income type valuations with reference to both the value of the asset recognised for tariff purposes (RAB – Regulatory Asset Base), as well as to additional income components deriving mainly for the natural gas distribution service. The book value of the cash-generating units was compared with the recoverable value (fair value or value in use) as defined previously.

The recoverable value, calculated based on the procedure described previously, is higher than the book value of the assets and related goodwill at 31 December 2015. Therefore, based on the results of the impairment test conducted, there have been no impairment losses with regard to the goodwill value recorded in the financial statements.

14) Equity-accounted investments

Equity-accounted investments break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Companies valued at shareholders' equity							
Toscana Energia S.p.A.	152	163	167	4	11	2.5%	7.2%
Umbria Distribuzione Gas S.p.A.	1	1	1				
Metano Sant'Angelo Lodigiano S.p.A.	1	1	1				
ACAM Gas S.p.A.	50	50		(50)			
SETEAP S.p.A.	5	5		(5)			
Metano Arcore S.p.A.	1	4		(4)	3		
AES Torino S.p.A.	125				(125)		
Other investments valued at cost							
Inversora del Aconcagua SA							
	335	224	169	(55)	(111)	(24.6%)	(33.1%)

The investment owned in the company Inversora del Aconcagua S.A., equal to Euro 1, is recorded net of the provision for impairment losses.

2015 vs 2014

On 1 April 2015, the acquisition from Acam of a 51% stake in Acam Gas was completed, for a price of €46 million. Through this transaction Italgas S.p.A., which already owned 49% of Acam Gas, acquired the entire share capital of the company. As a result, from 1 April 2015 the company was consolidated and no longer valued at equity.

2014 vs 2013

On 25 June 2014, the demerger deed of the district heating branch of AES Torino was signed with effect from 1 July 2014. From this date Italgas S.p.A. owned 100% of the share capital of AES Torino. As a result, from 1 July 2014 the company was consolidated and no longer valued at equity.



Other information on equity investments

In accordance with the provisions of IFRS 12 - “Disclosure of interests in other entities”, the economic and financial data for joint ventures and associates are provided below.

Investments in joint ventures

The IFRS-compliant economic and financial data for each significant joint venture¹², are reported below:

(€ million)	2013		2014		2015	
	Toscana Energia S.p.A.	AES Torino S.p.A.	Toscana Energia S.p.A.	Toscana Energia S.p.A.	Toscana Energia S.p.A.	Toscana Energia S.p.A.
Current assets	54	58	46			79
- of which cash and cash equivalents	2					4
Non-current assets	692	621	693			794
Total assets	746	679	739			873
Current liabilities	(251)	(265)	(126)			(248)
- of which current financial liabilities	(140)	(208)	(96)			(153)
Non-current liabilities	(141)	(83)	(238)			(243)
- of which non-current financial liabilities	(69)	(68)	(123)			(206)
Total liabilities	(392)	(348)	(364)			(491)
Shareholders' equity	354	331	375			382
Equity interest held by the Group (%)	48.08%	49%	48.08%			48.08%
Share attributable to the Group	170	162	180			184
Other adjustments	(18)	(36)	(17)			(17)
Book value of the equity investment	152	126	163			167
Revenue	186	190	138			128
Operating costs	(89)	(41)	(36)			(39)
Amortisation, depreciation and impairment	(25)	(30)	(25)			(28)
EBIT	72	119	77			61
Financial income	3					
Financial expense	(6)	(10)	(5)			(5)
Income (expense) from equity investments			1			1
Income tax paid	(32)	(35)	(27)			(17)
Net profit	37	74	46			40
Other components of comprehensive income						
Total comprehensive income	37	74	46			40

Toscana Energia S.p.A. operates in the natural gas distribution segment in Tuscany. Natural gas distribution is a regulated activity. The share capital is owned by Italgas S.p.A. (48.08%), the Municipality of Florence (20.61%), Publiservizi S.p.A. (10.38%), other Local Authorities (20.26%) and banking institutions (0.67%).

The corporate governance rules stipulate that decisions on significant activities must be taken with the unanimous consent of the private (Italgas) and public (municipalities) shareholders.

¹² Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.



Investments in associates

The IFRS-compliant economic and financial data for each associate¹³, are reported below:

(€ million)	2013		2014	
	ACAM Gas S.p.A.		ACAM Gas S.p.A.	
Current assets		2		10
Non-current assets		121		113
Total assets		123		123
Current liabilities		(16)		(7)
Non-current liabilities		(2)		(11)
Total liabilities		(18)		(18)
Shareholders' equity		105		108
Equity interest held by the Group (%)		49%		49%
Share attributable to the Group		51		53
Other adjustments		(1)		(3)
Book value of the equity investment		50		50
Revenue		24		21
EBIT		9		8
Net profit		4		4
Other components of comprehensive income				
Total comprehensive income		4		4

Since Italgas acquired control of it on 1 April 2015, Acam Gas was fully consolidated as at 31 December 2015.

15) Assets held for sale and directly related liabilities

(€ million)				Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
	31.12.2013	31.12.2014	31.12.2015				
Non-current assets held for sale	23	23	24	1		4.3%	
Buildings	23	23	24	1		4.3%	
Directly related liabilities	(7)	(7)	(7)				
Provision for environmental risks and charges	(7)	(7)	(7)				
	16	16	17	1		6.3%	

Assets held for sale and liabilities directly related to them essentially involve the property complex located in Via Ostiense in Rome for which sales negotiations are on the verge of completion.

¹³ Unless otherwise indicated, the financial statement figures for associates, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.



16) Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term financial liabilities

Short and long-term financial liabilities, with regard to the parent company Snam S.p.A., break down as follows:

(€ million)

	Short-term financial liabilities	Long-term financial liabilities			Total long-term liabilities	Total financial liabilities
		Short-term portion	Short-term financial liabilities	Long-term portion maturing in more than 5 years		
Balances at 31.12.2013	339	29	648	648	1,325	1,664
Financial liabilities to parent companies	339	29	648	648	1,325	1,664
Balances at 31.12.2014	494	29	868	428	1,325	1,819
Financial liabilities to parent companies	494	29	868	428	1,325	1,819
Balance at 31.12.2015	409	24	729	688	1,441	1,850
Financial liabilities to parent companies	409	24	729	688	1,441	1,850

2015 vs 2014

Short-term financial liabilities, equal to €409 million (-€85 million compared with 31 December 2014) involve used lines of credit in euros with the parent company Snam S.p.A..

There are no short-term financial liabilities denominated in currencies other than the Euro.

The average cost for the year with reference to the short-term financial debt is equal to 1.23% annually (3.44% at 31 December 2014). The interest rates actually applied during 2015 were between 1.23% and 3.15%.

The market value of short-term financial liabilities is the same as their book value.

Long-term financial liabilities, including the short-term portion of long-term liabilities, standing at €1,441 million (€1,325 million at 31 December 2014) rose by €116 million compared with the previous year following:

- the taking out on 22 October 2015 of a (20-year) loan of €124 million and on 27 November 2015 of an (8-year) loan of €173 million.
- the effects of a Liability Management (LM) transaction that took place on 27 November 2015 in which due loans of approximately €160 million were repurchased;
- the change in interest instalments which involved a reduction in liabilities of €21 million.



Financial liabilities to parent companies of €1,441 million are shown in the table below.

(€ million)

Lending institution	Currency	Nominal amount	Type of repayment	Residual debt at 31.12.2015	Weighted average interest rate (%)	Maturity
Fixed-rate loans						
Snam S.p.A.	euro	170	On maturity	178	5.000%	18.01.2019
Snam S.p.A.	euro	400	On maturity	411	3.875%	19.03.2018
Snam S.p.A.	euro	120	On maturity	121	2.375%	30.06.2017
Snam S.p.A.	euro	150	On maturity	151	5.250%	19.09.2022
Snam S.p.A.	euro	173	On maturity	156	1.375%	19.11.2023
				1,017		
Floating-rate loans						
Snam S.p.A.	euro	300	Amortized	300	0.80+Euribor 6M	31.10.2033
Snam S.p.A.	euro	124	Amortized	124	0.38+Euribor 6M	22.10.2035
				424		
Total debts for funding				1,441		

There are no other long-term bank loans denominated in currencies other than the euro.

The average cost for the year with reference to the long-term financial debt is equal to 3.33% annually (3.45% at 31 December 2014). The interest rates actually applied during 2015 were between 3.33% and 3.43%.

There are no financial leasing transactions at 31 December 2015.

The Company's medium-/long-term finance agreements do not contain negative pledges or financial covenants.

At 31 December 2015, there were no breaches of loan agreements.

2014 vs 2013

Short-term financial liabilities, equal to €494 million (+€55 million compared with 31 December 2013) involve used lines of credit in euros with the parent company Snam S.p.A..

There are no short-term financial liabilities denominated in currencies other than the Euro.

The average cost for the year with reference to the short-term financial debt is equal to 3.44% annually (3.78% at 31 December 2013). The interest rates actually adopted during 2014 were between 3.37% and 4.40%.

The market value of short-term financial liabilities is the same as their book value.

Long-term financial liabilities, including the short-term portion of long-term liabilities, standing at €1,325 million (€1,325 million at 31 December 2013) remained unchanged compared with the previous year.



Financial liabilities to parent companies of €1,325 million are shown in the table below.

(€ million)

Lending institution	Currency	Nominal amount	Type of repayment	Residual debt at 31.12.2014	Weighted average interest rate (%)	Maturity
Fixed-rate loans						
Snam S.p.A.	euro	200	On maturity	209	5.000%	18.01.2019
Snam S.p.A.	euro	500	On maturity	513	3.875%	19.03.2018
Snam S.p.A.	euro	150	On maturity	151	5.250%	19.09.2022
Snam S.p.A.	euro	150	On maturity	152	2.375%	30.06.2017
				1,025		
Floating-rate loans						
Snam S.p.A.	euro	300	Amortized	300	0.80+Euribor 6M	31.10.2033
				300		
Total debts for funding				1,325		

There are no other long-term bank loans denominated in currencies other than the euro.

The average cost for the year with reference to the long-term financial debt is equal to 3.45% annually (4.17% at 31 December 2013). The interest rates actually adopted during 2014 were between 3.45% and 3.48%.

There are no financial leasing transactions at 31 December 2014.

The Company's medium-/long-term finance agreements do not contain negative pledges or financial covenants.

At 31 December 2014, there were no breaches of loan agreements.



Below are details on net financial debt showing related-party transactions.

(€ million)

	31.12.2013			31.12.2014			31.12.2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents				47		47	2		2
B. Securities available for sale and held to maturity									
C. Cash (A+B)				47		47	2		2
D. Financial receivables not held for operating activities									
E. Short-term financial liabilities to banks									
F. Long-term financial liabilities to banks									
G. Bonds									
H. Short-term financial liabilities to related parties	339		339	494		494	409		409
I. Long-term financial liabilities to related parties	29	1,296	1,325	29	1,296	1,325	24	1,417	1,441
L. Other short-term financial liabilities									
M. Other long-term financial liabilities									
N. Gross financial debt (E+F+G+H+I+L+M)	368	1,296	1,664	523	1,296	1,819	433	1,417	1,850
O. Net financial debt (N-C-D)	368	1,296	1,664	476	1,296	1,772	431	1,417	1,848

17) Trade and other payables

Trade and other payables break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Trade payables	116	163	133	(30)	47	(18.4%)	40.5%
Payments on account and advances	2	1		(1)	(1)		(50.0%)
Other payables	257	250	314	64	(7)	25.6%	(2.7%)
- relating to investing activities	101	89	116	27	(12)	30.3%	(11.9%)
- other payables	156	161	198	37	5	23.0%	3.2%
	375	414	447	33	39	8.0%	10.4%



Other payables break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Payables relating to investing activities	101	89	116	27	(12)	30.3%	(11.9%)
Payables to the Energy and Environmental Services Fund (CSEA)	67	45	56	11	(22)	24.4%	(32.8%)
Payables to the government	25	39	42	3	14	7.7%	56.0%
Payables to employees	26	33	30	(3)	7	(9.1%)	26.9%
Payables to pension and social security institutions	17	21	17	(4)	4	(19.0%)	23.5%
Group consolidated VAT payables	1	8	15	7	7	87.5%	
Group consolidated tax payables	1	1	13	12			
Payables to consultants and professionals	5	5	5				
Other miscellaneous payables	14	9	20	11	(5)		(35.7%)
	257	250	314	64	(7)	25.6%	(2.7%)

2015 vs 2014

Trade payables, equal to €133 million, fell by €30 million compared with the previous year mainly through lower payables to suppliers (-€20 million) and to the parent company Snam S.p.A. (-€14 million).

No particular situations of concentration of trade payables were reported. Lastly, there are no significant situations of unpaid overdue debts.

Other payables amounting to €314 million (€250 million at 31 December 2014) rose by €64 million mainly as the result of more payables relating to investing activities (+€27 million), payables to the CSEA (+€11 million) relating to several ancillary components of tariffs relating to the gas distribution service to be paid to the same fund (RE, RS, UG1 and GS)¹⁴ and payables to the parent company Snam S.p.A. involving the group tax consolidation (+€12 million) and the group VAT settlement (+€7 million).

Payables to related-parties are detailed under "Related-party transactions".

The book value of trade and other payables is close to the relative fair value measurement, given the short period of time between when the payable arises and its due date. For more details surrounding the market value of this category of payables, please refer to the break downs documented under "Guarantees, commitments and risks".

2014 vs 2013

Trade payables, equal to €163 million, rose by €47 million compared with the previous year mainly through higher payables to suppliers (+€27 million) and to the parent company Snam S.p.A. (+€13 million) and the inclusion in the scope of consolidation of AES Torino (+€5 million).

No particular situations of concentration of trade payables were reported. Lastly, there are no significant situations of unpaid overdue debts.

¹⁴ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.



Other payables, equal to €250 million (€257 million at 31 December 2013) fell by -€7 million mainly as a result of lower payables to the CSEA (-€22 million) relating to several ancillary components of tariffs relating to the gas distribution service to be paid to said fund (RE, RS, UG1 e GS) and lower payables relating to investing activities (-€12 million) partly offset by the increase in payables to public administrations (+€14 million), payables to the parent company Snam S.p.A. relating to the group VAT settlement (+€7 million) and payables to staff (+€7 million).

Payables to related-parties are detailed under "Related-party transactions".

The book value of trade and other payables is close to the relative fair value measurement, given the short period of time between when the payable arises and its due date. For more details surrounding the market value of this category of payables, please refer to the break downs documented under "Guarantees, commitments and risks".

18) Other current and non-current liabilities

Other current and non-current liabilities break down as follows:

(€ million)	31.12.2013			31.12.2014			31.12.2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Other liabilities									
- liabilities for security deposits		2	2		4	4		5	5
- liabilities for accruals and deferrals				1		1		1	1
- other									
		2	2	1	4	5		6	6



19) Provisions for risks and charges

Provisions for risk and charges break down as follows:

31.12.2013						
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Final balance
				against charges	for excess	
(€ million)						
Provision for environmental risks and charges	132	6	1	(4)		142
Provision for litigation	35	11		(1)	(10)	35
Risk provision for TEE	8	9		(8)		9
Other provisions for risks and charges	18	16		(1)		33
- Voluntary redundancy risk provision	4	11		(1)		14
- Personnel risk provision	1	3				4
- Tax disputes risk provision	2					2
- Meter adjustments risk provision	7					7
- other provisions	4	2				6
	193	42	1	(14)	(10)	219

31.12.2014						
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Final balance
				against charges	for excess	
(€ million)						
Provision for environmental risks and charges	142		1	(5)		133
Provision for litigation	35	6			(5)	36
Risk provision for TEE	9	7		(5)	(3)	8
Other provisions for risks and charges	33	20		(17)	(2)	34
- Facilities adaptation risk provision		20				20
- Voluntary redundancy risk provision	14			(10)	(2)	2
- Personnel risk provision	4			(3)		1
- Tax disputes risk provision	2					2
- Meter adjustments risk provision	7					7
- other provisions	6			(4)		2
	219	33	1	(27)	(10)	211

31.12.2015							
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Final balance	
				against charges	for excess		Other changes
(€ million)							
Provision for environmental risks and charges	133	2	1	(3)		(4)	129
Provision for litigation	36	3		(5)	(14)		20
Risk provision for TEE	8	3			(8)		3
Other provisions for risks and charges	34	7		(2)		1	40
- Facilities adaptation risk provision	20						20
- Voluntary redundancy risk provision	2	4		(1)			5
- Personnel risk provision	1						1
- Tax disputes risk provision	2			(1)			1
- Meter adjustments risk provision	7						7
- other provisions	2	3				1	6
	211	15	1	(10)	(22)	(3)	192

2015 vs 2014

The **provision for environmental risks and charges**, equal to €129 million (€133 million at 31 December 2014), includes future expenses for environmental reclamation, to be applied by Law No. 471/99 and further operations mainly relating to the disposal of waste and removal of asbestos.

The discounting of the provision for environmental risks and charges was carried out using the rate corresponding to the returns for Eurozone corporate bonds with "AA ratings in place of the rate corresponding to returns for the same issues, but with "AAA" ratings used at 31 December 2014. Also taking into consideration the more extensive basket available, this curve makes it possible to represent the cases of the Company and the Group in the best way. The rate thus determined was between 0.15% and 2.38%.

The **provision for litigation** (€20 million, compared with €36 million at 31 December 2014) includes costs which the Company has estimated it will incur for existing lawsuits and disputes with personnel.

The **TEE risk provision** of €3 million (€8 million at 31 December 2014) regards expenses connected with reaching the (TEE) energy efficiency targets set by the Authority.

Other provisions for risks and charges (€40 million, compared with €34 million at 31 December 2014) related mainly to:

- expenses for facilities adaptation (€20 million, the same as the amount at 31 December 2014) involving network quality and regulatory standards renewal operations;
- expenses resulting from the memorandum of understanding on adjustments for domestic meters (€7 million, the same amount as at 31 December 2014);
- tax dispute of €1 million (€2 million at 31 December 2014) created with regard to the tax inspection conducted in 2012 by the Revenue Agency (Piedmont Branch, Audit and Collection Sector, Large Taxpayer Office) relating to the period 2009;
- other provisions for risks and charges of €12 million (€5 million at 31 December 2014) regarding



incentive plans, mobility, tax relief and other items relating to personnel (€6 million; €3 million at 31 December 2014).

2014 vs 2013

The **provision for environmental risks and charges**, equal to €133 million (€142 million at 31 December 2013), includes future expenses for environmental reclamation, to be applied by Law No. 471/99 and further operations mainly relating to the disposal of waste and removal of asbestos.

The **provision for litigation** (€36 million, compared with €35 million at 31 December 2013) included costs which the Company has estimated it will incur for existing lawsuits and disputes with personnel.

The **TEE risk provision** of €8 million (€9 million at 31 December 2013) regards expenses connected with reaching the (TEE) energy efficiency targets set by the Authority.

Other provisions for risks and charges (€4 million, compared with €24 million at 31 December 2013) related mainly to:

- expenses for facilities adaptation (€20 million, not present at 31 December 2013) involving network quality and regulatory standards renewal operations;
- expenses resulting from the memorandum of understanding on adjustments for domestic meters (€7 million, the same amount as at 31 December 2013);
- tax dispute of €2 million (the same amount as the previous year) created with regard to the tax inspection conducted in 2012 by the Revenue Agency (Piedmont Branch, Audit and Collection Sector, Large Taxpayer Office) relating to the period 2009;
- other provisions for risks and charges of €4 million (€24 million at 31 December 2013) regarding incentive plans, mobility, tax relief and other items relating to personnel (€3 million; €18 million at 31 December 2013).

20) Provisions for employee benefits

Provisions for employee benefits break down as follows:

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Employee severance pay (TFR)	63	74	69	(5)	11	(6.8%)	17.5%
Supplemental healthcare provision for company executives of Eni (FISDE)	5	6	6		1		20.0%
Gas Fund			35	35			
Other employee benefit provisions	8	7	6	(1)	(1)	(14.3%)	(12.5%)
	76	87	116	29	11	33.3%	14.5%

2015 vs 2014

The **provision for employee severance pay** of €69 million (€74 million at 31 December 2014) is governed by Article 2120 of the Italian Civil Code and represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS. Liabilities related to



severance pay pre-dating 1 January 2007 remains a defined-benefit plan to be valued using actuarial methods.

The **supplementary healthcare provision for Company executives (FISDE)** of €6 million (unchanged compared with 31 December 2014) includes the estimate of costs (determined on an actuarial basis) related to contributions to be paid to the supplementary healthcare provision benefiting current and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. With regard to the Snam Group, executives appointed before October 2012 are included in the FISDE scheme. Executives appointed after this date are part of a supplementary healthcare fund which is classified as a defined-contribution plan. The Snam Group is also looking into the possibility of identifying a Group-wide supplementary healthcare fund. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability is determined by taking the contribution paid by the Company as a reference, as an approximate estimate of the healthcare costs incurred by the fund.

The **Gas Fund** (€35 million) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as of 1 December 2015, of the Gas Fund pursuant to Law 125 of 6 August 2015. In particular, Articles 9-*decies* 9-*undecies* of the Law set out that the employer must make: (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. At 31 December 2015, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The **other employee benefit provisions** of €6 million (€7 million at 31 December 2014) relate to seniority bonuses and the deferred cash incentive plan (IMD).

The corresponding obligations are determined using an actuarial valuation method and are discounted using a rate defined on the basis of the yields from bonds issued by leading companies. Revaluations of the liability (net asset) are recognised in full in the income statement.

Deferred cash incentive plans are allocated to executives who have met the goals set out in the year preceding the allocation year, and allocate a basic incentive that is disbursed after three years and varies according to the performance achieved by the Company during the course of the three-year period following the time of the allocation. The benefit is provisioned when the Company's commitment to the employee arises. The estimate is subject to revision in future periods, based on the final accounting and updates to profit forecasts (above or below target).

The long-term incentive plans replaced the preceding stock option allocations involve the payment, three years after being assigned, of a variable cash bonus tied to a measure of company performance. Attainment of the benefit is linked to the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting



period”). This benefit is allocated *pro rata* over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind. Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are all classified as other long-term benefits pursuant to IAS 19.

2014 vs 2013

Employee severance pay, equal to €74 million (€63 million at 31 December 2014), rose by €11 million compared with the previous year mainly through the inclusion in the scope of consolidation of AES Torino S.p.A. (€5 million).

The composition of and changes in employee benefit provisions, determined by applying actuarial methods, are as follows¹⁵:

	31.12.2013				31.12.2014				31.12.2015				
	Provision for employee severance pay (TFR)	FISD E	Other	Total	Provision for employee severance pay (TFR)	FISD E	Other	Total	Provision for employee severance pay (TFR)	FISD E	Gas Fund (*)	Other	Total
(€ million)													
Current value of the obligation at the start of the year	66	6	8	80	63	5	8	76	74	6		7	87
Current cost			2	2									
Cost of past service	2			2	1			1			35		35
Cost in interest					1			1	1				1
Revaluations / (impairment losses)													
- actuarial (gains) / losses resulting from changes in the financial assumptions	(3)	(1)	(1)	(5)	8	1		9	(3)				(3)
- effect of past experience					(1)			(1)	(1)				(1)
Changes in consolidation scope					5			5	1			1	2
Contributions to the plan													
- employee contributions													
- employer contributions													
Benefits paid	(2)		(1)	(3)	(3)		(1)	(4)	(3)			(2)	(5)
Current value of the obligation at the end of the year	63	5	8	76	74	6	7	87	69	6	35	6	116

(*) Involves the evaluation of liabilities resulting from the contribution, in favour of members or parties who have opted for voluntary continuation of contributions, equal to 1% for each year of registration to the Gas Fund multiplied by the social security tax base relating to the same Gas Fund for 2014.

The employee benefit plans are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

¹⁵ The table also provides a reconciliation of liabilities recorded for employee benefit provisions.



Costs related to employee benefit liabilities, which are recorded in the income statement are broken down as follows:

	31.12.2013				31.12.2014				31.12.2015				
	Provision for employee severance pay (TFR)	FISDE	Other	Total	Provision for employee severance pay (TFR)	FISDE	Other	Total	Provision for employee severance pay (TFR)	FISDE	Gas Fund	Other	Total
(€ million)													
Current cost			2	2									
Net interest expense													
- interest expense on the obligation					1			1	1				1
- interest income of the plan service activities													
- effect of past experience											35		35
Other costs	2			2	1			1					
Total costs	2		2	4	2			2	1		35		36
- of which recognised under personnel expenses	2		2	4	1			1			35		35
- of which recognised under financial expenses					1			1	1				1

Actuarial gains relating to the defined-benefit plans recorded under other components of comprehensive income (€3 million) break down as follows:

	31.12.2013				31.12.2014				31.12.2015				
	Provision for employee severance pay (TFR)	FISDE	Other	Total	Provision for employee severance pay (TFR)	FISDE	Other	Total	Provision for employee severance pay (TFR)	FISDE	Gas Fund	Other	Total
(€ million)													
Revaluations/(Impairment losses):													
- actuarial (gains) / losses resulting from changes in the financial assumptions	(3)	(1)	(1)	(5)	8	1		9	(3)				(3)
- actuarial (gains) / losses resulting from changes in the demographic assumptions													
- effect of past experience					(1)			(1)	(1)				(1)
- return of the plan service activities													
	(3)	(1)	(1)	(5)	7	1		8	(4)				(4)

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below:

	31.12.2013			31.12.2014			31.12.2015			
	Provision for employee severance pay (TFR)	FISDE	Other provisions	Provision for employee severance pay (TFR)	FISDE	Other provisions	Provision for employee severance pay (TFR)	FISDE	Gas Fund	Other provisions
Discount rate (%)	3.5	3.5	1.1 - 3.5	1.5	1.5	0.5 - 1.5	1.9	1.9	1.75	0.6 - 1.9
Inflation rate (%) (*)	2.0	2.0	2.0	1.8	1.8	1.8	1.8	1.8	N/A	1.8

(*) With regard to the other provisions, the rate relates only to seniority bonuses.



The discount rate adopted was determined by considering the yields from bonds issued by leading companies in the eurozone with an AA rating.

The employee benefit plans are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change in the discount rate at the end of the year. The sensitivity of the discount rate represents the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

31.12.2015		
Discount rate		
(€ million)	0.5% reduction	0.5% increase
Effect on the net obligation		
Contingent severance pay	3	(4)
FISDE		
Gas Fund (*)	2	(2)
Other provisions	1	
	6	(6)

(*) The amount includes an estimate of the INPS solidarity surcharge of 10% applied to the amounts to be allocated to the supplementary pension schemes.

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(€ million)	31.12.2013				31.12.2014				31.12.2015				
	Provisio n for employe e severan ce pay (TFR)	FISD E	Oth er	Total	Provisio n for employe e severan ce pay (TFR)	FISD E	Oth er	Total	Provisio n for employe e severan ce pay (TFR)	FISD E	Gas Fund (*)	Oth er	Total
Within the next year	1		2	3	1		2	3	2		2	2	6
Within five years	10	1	6	17	12		5	17	13	1	11	4	29
Between five and ten years	27	1		28	29	1		30	28	1	14		43
Beyond 10 years	25	3		28	32	5		37	26	4	8		38
	63	5	8	76	74	6	7	87	69	6	35	6	116

(*) The amount includes an estimate of the INPS solidarity surcharge of 10% applied to the amounts to be allocated to the supplementary pension schemes.



Italgas 2013 - 2015 Consolidated Financial Statements

21) Deferred tax liabilities

Deferred tax liabilities are exposed net of prepaid tax assets which can be offset and are broken down below.

There are no prepaid tax assets which cannot be offset.

	31.12.2013					
(€ million)	Opening balance	Provisions	Utilisation against charges	Other changes		Final balance
Deferred tax liabilities	580	25	(62)	(1)		542
Prepaid tax assets	(225)	(28)	19	(3)		(237)
	355	(3)	(43)	(4)		305

	31.12.2014						
(€ million)	Opening balance	Provisions	Utilisation against charges	Utilisation for excess	Change in scope of consolidation	Other changes	Final balance
Deferred tax liabilities	542		(49)	(90)	22	7	432
Prepaid tax assets	(237)	(20)	21	39	(13)	(5)	(215)
	305	(20)	(28)	(51)	9	2	217

	31.12.2015						
(€ million)	Opening balance	Provisions	Utilisation against charges	Utilisation for excess	Change in scope of consolidation	Other changes	Final balance
Deferred tax liabilities	432		(35)	(42)	1	4	360
Prepaid tax assets	(215)	(19)	17	20	(2)	(2)	(201)
	217	(19)	(18)	(22)	(1)	2	159



Deferred tax liabilities and prepaid tax assets break down as follows, based on the most significant temporary differences:

	31.12.2013						
	Opening balance	Provisions	Utilisation against charges	Other changes	Final balance	of which IRES	of which IRAP
(€ million)							
Deferred tax liabilities	580	25	(62)	(1)	542	510	32
Depreciation and amortisation exclusively for tax purposes	305	2	(23)		284	273	11
Revaluation of property, plant and equipment (*)	192		(13)		179	159	20
Capital gains subject to deferred taxation	70	23	(26)	(1)	66	66	
Employee benefits	5				5	5	
Capitalisation of financial expenses	5				5	4	1
Impairment losses on receivables in excess of tax deductibility	1				1	1	
Other temporary differences	2				2	2	
Prepaid tax assets	(225)	(28)	19	(3)	(237)	(217)	(20)
Non-deductible amortisation and depreciation	(17)	(10)	1		(26)	(26)	
Non-deductible bad debts	(10)		1		(9)	(9)	
Non-deductible fixed assets impairment losses	(1)		1				
Revaluation of assets according to Law No. 342/2000	(2)				(2)	(2)	
Intra-group earnings	(9)		1		(8)	(8)	
Non-refundable grants charged to shareholders' equity	(4)		1		(3)	(2)	(1)
Non-refundable grants to deferred taxation post 1998	(29)				(29)	(26)	(3)
Non-deductible provisions for risks and charges	(81)	(11)	11		(81)	(73)	(8)
Employee benefits	(4)			(3)	(7)	(7)	
Connection grants	(67)	(7)	3		(71)	(63)	(8)
Other temporary differences	(1)				(1)	(1)	
Net deferred tax liabilities	355	(3)	(43)	(4)	305	293	12

(*) The item relates to the higher price paid by Eni in 2003 for the Italgas S.p.A. takeover bid



	31.12.2014								
	Opening balance	Provisions	Utilisation against charges	Utilisation for excess	Change in scope of consolidation	Other changes	Final balance	of which IRES	of which IRAP
(€ million)									
Deferred tax liabilities	542		(49)	(90)	22	7	432	398	34
Depreciation and amortisation exclusively for tax purposes	284		(13)	(49)			222	211	11
Revaluation of property, plant and equipment (*)	179		(13)	(31)	21	7	163	142	21
Capital gains subject to deferred taxation	66		(23)	(8)			35	35	
Employee benefits	5			(1)			4	3	1
Capitalisation of financial expenses	5			(1)			4	3	1
Impairment losses on receivables in excess of tax deductibility	1						1	1	
Other temporary differences	2				1		3	3	
Prepaid tax assets	(237)	(20)	21	39	(13)	(5)	(215)	(193)	(22)
Non-deductible amortisation and depreciation	(26)	(8)	1	5		(3)	(31)	(31)	
Non-deductible bad debts	(9)		1	1			(7)	(7)	
Revaluation of assets according to Law No. 342/2000	(2)						(2)	(2)	
Intra-group earnings	(8)		1				(7)	(7)	
Non-refundable grants charged to shareholders' equity	(3)			2	(10)		(11)	(9)	(2)
Non-refundable grants to deferred taxation post 1998	(29)			5			(24)	(21)	(3)
Non-deductible provisions for risks and charges	(81)	(11)	15	11			(66)	(57)	(9)
Employee benefits	(7)			1		(3)	(9)	(8)	(1)
Connection grants	(71)		2	12			(57)	(50)	(7)
Other temporary differences	(1)	(1)	1	2	(3)	1	(1)	(1)	
Net deferred tax liabilities	305	(20)	(28)	(51)	9	2	217	205	12

(*) The item relates to the higher price paid by Eni in 2003 for the Italgas takeover bid and AES Torino joining the scope of consolidation.



	31.12.2015								
	Opening balance	Provisions	Utilisation against charges	Utilisation for excess	Change in scope of consolidation	Other changes	Final balance	of which IRES	of which IRAP
(€ million)									
Deferred tax liabilities	432		(35)	(42)	1	4	360	327	33
Depreciation and amortisation exclusively for tax purposes	222		(10)	(25)	1	5	193	182	11
Revaluation of property, plant and equipment (*)	163		(7)	(16)			140	119	21
Capital gains subject to deferred taxation	35		(18)				17	17	
Employee benefits	4						4	3	1
Capitalisation of financial expenses	4			(1)			3	3	
Impairment losses on receivables in excess of tax deductibility	1						1	1	
Other temporary differences	3					(1)	2	2	
Prepaid tax assets	(215)	(19)	17	20	(2)	(2)	(201)	(182)	(19)
Non-deductible amortisation and depreciation	(31)	(12)	2	4		(5)	(42)	(42)	
Non-deductible bad debts	(7)		1	1			(5)	(5)	
Revaluation of assets according to Law No. 342/2000	(2)						(2)	(2)	
Intra-group earnings	(7)		1		(1)		(7)	(7)	
Non-refundable grants charged to shareholders' equity	(11)					10	(1)	(1)	
Non-refundable grants to deferred taxation post 1998	(24)			3			(21)	(18)	(3)
Non-deductible provisions for risks and charges	(66)	(3)	11	5		1	(52)	(44)	(8)
Employee benefits	(9)	(2)	1			5	(5)	(5)	
Connection grants	(57)		1	7	(1)	(8)	(58)	(50)	(8)
Other temporary differences	(1)	(2)				(5)	(8)	(8)	
Net deferred tax liabilities	217	(19)	(18)	(22)	(1)	2	159	145	14

(*) The item relates to the higher price paid by Eni in 2003 for the Italgas takeover bid and AES Torino joining the scope of consolidation.



22) Shareholders' equity

(€ million)

	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Shareholders' equity attributable to the group	2,354	2,595	2,723	128	241	(7.6%)	57.8%
Share capital	252	252	252				
Legal reserve	58	58	58				
Share premium reserve	50	50	50				
Reserve for remeasurement of benefit plans for employees	(6)	(13)	(11)	2	(7)	(15.4%)	
Other reserves	1,053	1,040	1,036	(4)	(13)	(0.4%)	(1.2%)
Retained earnings	646	802	998	196	156	24.4%	24.1%
Net profit for the year	301	406	340	(66)	105	(16.3%)	34.9%
Shareholders' equity attributable to third parties	1	1	1				
Napoletanagas	1	1	1				
	2,355	2,596	2,724	128	241	4.9%	10.2%

Dividends

The ordinary shareholders' meeting of Italgas S.p.A. resolved:

- on 20 November 2015 to distribute €214 million in dividends;
- on 11 April 2014 to distribute €157 million in dividends;

Share capital

The share capital of the Company comprises 252,263,314 ordinary shares with a nominal value of €1 each, fully paid-up and wholly-owned by Snam S.p.A..

Legal reserve

This stands at €58 million and did not change in the three-year period.

Share premium reserve

The share premium reserve, equal to €50 million, did not change in the three-year period. Note that the portion of the share premium reserve of €48 million is bound, based on the shareholders' resolutions of 12 May 1990, 30 June 1994 and 30 April 1997, to the total reconstruction (pursuant to Article 172 of Presidential Decree No. 917/86) of the Deferred tax reserves, according to the regulation in force at the time Article 55 of Presidential Decree No. 917/86, in the Financial Statements at 31 December 1988 of the incorporated company Alma-Gas S.r.l., in the Financial Statements at 31 December 1993 of the incorporated company Metano Città S.p.A. and Italgas Sud S.p.A. and in the Financial Statements at 31 December 1996 of the incorporated company Veneziana Gas S.p.A.. The above portion is subject to taxation if used for purposes other than to cover losses. A further portion of the share premium reserve of €2 million is bound according to Article 14, paragraph 2 of Law No. 342/00.



Reserve for remeasurement of benefit plans for employees

The reserve for remeasurement of benefit plans for employees, equal to -€11 million at 31 December 2015, was established following the changes to international accounting principle IAS 19 "Employee benefits" which came into force on 1 January 2013. This reserve measures unrecognised actuarial gains and losses recorded in other components of total profit, net of tax.

The changes in the reserve during the course of the year are shown below:

(€ million)	Gross amount	Tax effect	Net value
Reserve at 31 December 2012	(14)	6	(8)
Changes in 2013	5	(3)	2
Reserve at 31 December 2013	(9)	3	(6)
Changes in 2014	(9)	2	(7)
Reserve at 31 December 2014	(18)	5	(13)
Changes in 2015	3	(1)	2
Reserve at 31 December 2015	(15)	4	(11)

Other reserves

Other reserves, equal to €1,036 million at 31 December 2015 (€1,040 million at 31 December 2014 and €1,053 million at 31 December 2013) involve the capital reserves of Italgas S.p.A..

The shareholders' equity of Italgas includes reserves subject to taxation if distributed of €896 million in total at 31 December 2015. Deferred taxes have not been set aside for these reserves because there are no plans for their distribution; potential taxes due were they to be distributed amount to €153 million.

23) Business combinations

2015

On 1 April 2015, the acquisition from Acam of a 51% stake in Acam Gas was completed, for a price of €46 million. By means of this transaction, Italgas S.p.A., which already held 49% of Acam Gas, acquired the company's entire share capital, further consolidating its gas distribution activities within the minimum geographical area (ATEM) of La Spezia.

Therefore, as of 1 April 2015, the equity investment held in Acam Gas, classified until 31 March 2015 as a joint venture and valued using the equity method, is fully consolidated in accordance with IFRS 10 - "Consolidated financial statements". The acquisition of control over Acam Gas represents a "business combination", reported in accordance with IFRS 3 - "Business combinations". To this end, at the date of acquisition of control, the following steps were taken: (i) adjustment of the value of the equity investment previously held (equivalent to 49%) to the related fair value, attributing the difference with respect to the previous book value to the income statement (€1 million evaluation at shareholders' equity at 31 March 2015); and (ii) recognition of the individual assets and liabilities acquired at the related fair value, recognising the difference between the fair value of the net assets acquired and the cost of the business combination in the income statement (€8 million).

The accounting effects of the business combination, in conformity with the provisions of IFRS 3, were redetermined in respect of the previous allocation in response to the update to the 2014 RAB estimate.



These updates resulted in the restatement of the opening balances at the date of acquisition of control, as follows:

(€ million)	Values after assignment of fair value
Fair value of net assets acquired	105
Value of assets acquired	118
Value of liabilities acquired	13

The key values for the assets and liabilities of Acam Gas are as follows:

(€ million)	Values after assignment of fair value
Intangible assets	105
Current assets	12
Prepaid tax assets	1
Assets acquired	118
Current liabilities	11
Deferred tax liabilities	
Provisions for employee benefits	1
Provisions for risks and charges	1
Liabilities acquired	13
Shareholders' equity acquired	105

2014

On 25 June 2014, when the conditions precedent to the execution of the demerger project approved by the shareholders' meeting of A.E.S. Torino on 18 April 2014 were verified, the demerger deed of the district heating branch of the company was signed with effect from 1 July 2014.

As of that date, Italgas wholly owns A.E.S., which operates exclusively in the natural gas distribution sector. Through A.E.S., Italgas directly manages the natural gas distribution service in the city of Turin, with a network of 1,336 km of pipelines, 465,784 active redelivery points and 326 million cubic metres transmitted at 30 September 2014.

Consequently, as of 1 July 2014, the equity investment held by Italgas in A.E.S., classified until 30 June 2014 as a joint venture and valued using the equity method, is fully consolidated in accordance with IFRS 10 - "Consolidated financial statements". The acquisition of control over A.E.S. represents a "business combination", reported in accordance with IFRS 3 - "Business combinations". To this end, at the date of acquisition of control, the following steps were taken: (i) adjustment of the value of the equity investment previously held (equivalent to 49%) to the related fair value, attributing the difference with respect to the previous book value¹⁶ to the income statement (€51 million); and (ii) recognition of the individual assets and liabilities acquired at the related fair value.

¹⁶ This value is represented by the valuation of AES Torino at 30 June 2014 using the equity method.



The accounting effects of the business combination, in accordance with the provisions of IFRS 3 - "Business combinations", are summarised below:

(€ million)	Values after assignment of fair value
Fair value of net assets acquired	162
Value of assets acquired	341
Value of liabilities acquired	179

The key values for the assets and liabilities of AES Torino are as follows:

(€ million)	Values after assignment of fair value
Intangible assets	261
Current assets	38
Property, plant and equipment	29
Prepaid tax assets	13
Assets acquired	341
Current liabilities	148
Deferred tax liabilities	26
Provisions for employee benefits	4
Provisions for risks and charges	1
Liabilities acquired	179
Shareholders' equity acquired	162

24) Guarantees, commitments and risks

(€ million)	31.12.2013	31.12.2014	31.12.2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Guarantees	104	106	101	(5)	2	(4.7%)	1.9%
Loans on its own behalf	104	106	101	(5)	2	(4.7%)	1.9%
Commitments	365	293	499	206	(72)	70.3%	(19.7%)
Commitments for the purchase of goods and services	362	293	496	203	(69)	69.3%	(19.1%)
Other	3		3				
Risks	18	19	49	30	1		5.6%
Risks for litigation	18	19	49	30	1		5.6%
	487	418	649	231	(69)	55.3%	(14.2%)



2015 vs 2014

Guarantees of €101 million (down by €5 million compared with 31 December 2014) refer mainly to waivers in favour of Snam S.p.A. against sureties issued in the interest of Italgas, mainly to guarantee satisfactory execution of the works and with regard to investments in tenders and contracts for natural gas distribution.

Commitments of €499 million (up €206 million compared with 31 December 2014) relate to contracts with suppliers for the purchase of tangible assets and the provision of services relating to investments in tangible assets under construction, as well as for rental to third parties for lease agreements for company premises.

Risks of €49 million (+€30 million compared with 31 December 2014) relate to compensation claims made by third parties as a result of ongoing legal disputes, with a low probability of occurrence of the related economic risk. It is believed that the probable outcome of the litigation and other disputes with regard to which provision has been made in the risk funds will not have a significant effect.

2014 vs 2013

Guarantees equal to €106 million (+€2 million compared with 31 December 2013) refer mainly to waivers in favour of Snam S.p.A. (€93 million) and Eni S.p.A. (€6 million) with regard to sureties issued in the interest of Italgas, mainly to guarantee satisfactory execution of the works and with regard to investments in tenders and contracts for natural gas distribution.

Commitments of €293 million (-€72 million compared with 31 December 2013) relate to contracts with suppliers for the purchase of tangible assets and the provision of services relating to investments in tangible assets under construction, as well as for rental to third parties for lease agreements for company premises.

Risks of €19 million (+€1 million compared with 31 December 2013) relate to compensation claims made by third parties as a result of ongoing legal disputes, with a low probability of occurrence of the related economic risk. It is believed that the probable outcome of the litigation and other disputes with regard to which provision has been made in the risk funds will not have a significant effect.

MANAGEMENT OF FINANCIAL AND LIQUIDITY RISKS

Introduction

The Italgas Group, in line with Snam, has always been familiar with and managed the risks relating to its business activities. Through its Enterprise Risk Management (ERM) and the new Risk Management Policy issued in 2015, it has worked to strengthen this area, introducing a structured method for identifying, evaluating, managing and monitoring risks, which is standardised for all Group companies. The ERM model, which is managed by a dedicated corporate department, is an iterative one that enables dynamic and integrated group-wide risk assessment that brings out the best of the existing management systems in individual corporate processes.

The main risks identified and managed are as follows:

- financial and liquidity risks, resulting from the lack of financial resources to deal with commitments in the short-term, from exposure to interest rate fluctuations and the exposure of the Company to potential losses on loans resulting from failure of counter-parties to comply with obligations;
- legal disputes.

There follows a description of the policies and principles for the management and control of the risks arising from the financial instruments listed above. The nature and scale of these risks are also described, in accordance with disclosure rules pursuant to IFRS 7.



Interest rate risk

Fluctuations in interest rates affect the market value of Snam's financial assets and liabilities and its net financial expense. The goal is to optimise interest rate risk while pursuing the financial structure objectives defined and approved in corporate plans.

There are only financial relations with the parent company Snam S.p.A. which carries out financial activities on behalf of Group companies, by means of an agreement based on which it hedges the financial requirements and use of cash.

At 31 December 2015, the Snam Group used external financial resources in the form of bilateral and syndicated loans with banks and other financial institutions, in the form of medium- and long-term loans and bank credit lines at interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), and bonds, mainly fixed-rate, placed as part of the Euro Medium Term Notes (EMTN) programme.

Assuming a hypothetical variation of +/-10% in interest rates, effectively applied during 2015 and compared with those for 2014 and 2013, there are no significant impacts on shareholders' equity and the result at 31 December 2015, 31 December 2014 and 31 December 2013.

Credit risk

Credit risk is the Company's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial position and results of Italgas.

For the risk of non-compliance by the counter-party concerning contracts of a commercial nature, the credit management for activities connected with credit monitoring, the management of active guarantees, credit recovery and any possible disputes is handled by the business units and the centralised Snam departments

Italgas provides distribution services for 242 sales companies, the most important of which is Eni S.p.A..

The rules for user access to the gas distribution service are regulated by the Network Code, which in conformity with the provisions established by the Authority regulates the rights and obligations of the parties involved in the provision of the distribution service, as well as the contractual clauses which reduce the risk of non-compliance by sales companies.

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern. Italgas' objective is to have a financial structure (in terms of ratios between debt and Regulatory Asset Base (RAB), between short-term and medium-/long-term debt and fixed-/floating-rate debt), which, ensures an adequate level of liquidity, minimising the related opportunity cost and maintaining a balance between the term and composition of its debt in line with business objectives.

To date, Italgas has funded itself entirely through loans from the parent company Snam S.p.A. which carries out financial activities on behalf of Group companies, by means of an agreement based on which it hedges the financial requirements and use of cash of the Company.



Default risk and restrictive debt clauses

Default risk in loan agreements exists if the loan contracts concluded contain provisions that enable the lender to activate contractual protections, which could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk. At 31 December 2015 the Company only has loan agreements with the parent company Snam.

These agreements contain, *inter alia*, change of control clauses which include the obligation of Italgas to repay the entire amount of the loan early if Snam loses control of Italgas.

In addition, for some of these there are early repayment obligations if events established in the contracts concluded by Snam occur causing the obligation for early repayment. At 31 December 2015 all the contractual restrictive clauses have been complied with.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments:

(€ million)	Balance at 31.12.2015	Maturing within 12 months	Maturing beyond 12 months	Maturity				
				2017	2018	2019	2020	After
Financial liabilities								
Long-term financial liabilities to parent companies	1,417		1,417	120	399	190	20	688
Interest on financial debt	24	24						
Short-term financial liabilities	409	409						
	1,850	433	1,417	120	399	190	20	688

Other information on financial instruments

In relation to the categories mentioned in IAS 39, the Company has no financial assets held to maturity, available for sale or held for trading. As a result, the financial assets and liabilities all fall within the classification of financial instruments measured at amortised cost.

Litigation

(i) Barletta event

On 25 April 2015, an explosion occurred due to a gas leak, killing one Italgas worker and injuring others, during an operation following a report of damage to the gas network by a third party resulting in leakage of gas. The competent public prosecutor has launched an investigation, with which the company is actively cooperating.

(ii) Rome/Via Parlatore event

The public prosecutor at the Court of Rome opened an investigation against several Italgas managers in relation to the incident that took place on 7 September 2015 regarding an ordinary intervention in the gas distribution network in the municipality of Rome.

The incident, which took place due to causes that are still being investigated, caused a fire that involved three people. Two of them, workers for an Italgas contractor, suffered mild injuries. The third person – an Italgas colleague – died after a few weeks despite medical treatment.



Italgas is actively cooperating with the relevant authorities.

(iii) Rome/Via Vallebona event

The public prosecutor at the Court of Rome opened criminal proceedings against two Italgas employees in relation to a gas disconnection carried out for late payment following a service order issued on 26 March 2014 by the sales company. Italgas is actively cooperating with the relevant authorities. The public prosecutor made a request to the preliminary investigations judge to dismiss the case.

(iv) Cerro Maggiore/Via Risorgimento event

The public prosecutor at the Court of Busto Arsizio opened criminal proceedings against Italgas executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The incident was caused by a gas leak due to remote controlled horizontal drilling work for the placement of fibre-optic cables performed by a third party.

The explosion occurred while interception activities were being completed on the section involved in the damage, causing the collapse of a house at No. 39 and the death of the woman who lives there, a serious injury to an Italgas worker and to two other people who suffered mild injuries. The area was closed off. On 15 November 2015 the Busto Arsizio public prosecutor served a one-time notice of technical investigation, and the public prosecutor appointed its own technical consultants. Italgas also appointed its own technical consultants.

The Company is actively cooperating with the relevant authorities.

(v) Investigation into gas distribution service quality violations

On 18 September 2009, by way of Resolution VIS 92/09, the Authority launched a formal investigation into alleged breaches regarding gas distribution service quality. Specifically, the alleged breach, on the part of the distributors operating networks with cast-iron pipes featuring hemp- and lead-sealed joints (not yet reconditioned), consisted in the failure to replace, renew or decommission a minimum of 30% of said networks by 31 December 2008.

On completion of the investigation, the Authority Resolution VIS 41/11, published on 24 March 2011: (i) confirmed that Italgas had complied with its replacement obligation across Italy; and (ii) found that the Company was liable for failing to comply with said obligation in relation only to the distribution network in Venice, and imposed a fine of €51,000.

Italgas believes it was justified in not complying with the obligation in relation to the Venice network. It has made provision for payment of the fine subject to an appeal, which was submitted to the Lombardy Regional Administrative Court in Milan. By means of the ruling of 13 July 2015, the Regional Administrative Court rejected the appeal, on the grounds that difficulties associated with the specific features of the sites were enough to reduce but not completely exclude the liability of the appellant, and that the authorities would have taken these features into account in assessing the Venice situation and determining the amount of the fine.

(vi) Gas distribution service quality violations

Through resolution 33/2012/S/gas of 9 February 2012, the Authority arranged the launch of four disciplinary proceedings for the issuance of monetary fines with regard to gas distribution service quality to establish the violation of Articles 2, paragraphs 1 and 12, paragraph 7, letter b) of the ARG/gas 120/08 resolution by four natural gas distribution companies including Italgas S.p.A..

In particular, the Authority reported that, with regard to its Venice plant, the company failed to comply with the obligation to recondition or replace, by 31 December 2010, at least 50% of the cast-iron pipes with fittings



of hemp and lead in operation as at 31 December 2003, set out in the aforementioned Article 12, paragraph 7.b).

A communication from the Authority on the results of the investigation is pending.

(vii) Gas distribution service violations relating to the billing of the “municipal fees” tariff component

By means of Resolution 104/2015/S/gas of 12 March 2015, the Authority began enforcement proceedings for violations relating to the billing of the “COLci” component.

The Authority specifically alleges that the billing procedures for this component stipulated under current regulations have not been complied with. The duration of the investigation has been set at 180 days, while the deadline for the adoption of the provision is 90 days from the closing date of the investigation.

On 23 April 2015, the Authority requested the transmission of billing data for the COLci tariff component for the years 2009-2013, which the company provided on 7 May 2015. To date, the preliminary investigation has not been concluded.

(viii) Tax disputes

The 2009 general tax audit performed by officials of the Revenue Agency (Piedmont branch, Audit and Collection Sector, Large Taxpayer Office), which ended on 7 December 2012 with the release of the official audit report, resulted in around €1 million of additional IRES, IRAP and VAT, plus penalties and interest.

In December 2014, tax assessments concerning IRES, IRAP and VAT were issued, and the Company responded by submitting a tax settlement proposal.

The proceedings closed with a negative result, and the Company, in consortium with Eni S.p.A. for the notice concerning IRES, brought an appeal on 4 May 2015 before the provincial tax commission of Turin, thus contesting only the findings relating to the undue payment of taxes on foreign regularisations and other unrelated taxes. The hearing was set for 17 March 2016. At the same time, total payments of €777,204.78 were made, using the risk provision previously set aside.

Judicial administration of Italgas – Court of Palermo

On 11 July 2014 the Court of Palermo notified Italgas of the asset protection preventive measure of the Judicial Administration, pursuant to Article 34, paragraph 2, Legislative Decree 159/2011 “Anti-mafia code and prevention measures, as well as new measures relating to anti-mafia documentation in accordance with Articles 1 and 2 of Law No. 136 of 13 August 2010”. Pursuant to the law, this measure protects the capital structure of Italgas from infiltration and/or collusion.

This is a temporary measure with a fixed maximum duration, which in this case is six months and may be extended by no more than 6 months pursuant to Legislative Decree 159/2011. As a result, the powers of administration for the economic and business activities and assets of Italgas have been assigned to a collective administrative body comprising four court-appointed members. The Italgas Board of Directors was suspended for the duration of the measure. Snam retained full ownership of the entire share capital of Italgas, with the related rights.

For the purposes of the accounting principles adopted when drawing up the 2014 half-year report, it should be pointed out that Italgas had been notified of the measure on 11 July 2014, after the end of the first half-year and prior to the approval of the report. Furthermore, for the purposes of the Group’s consolidated financial statements, the collective administrative body had authorised the transmission to Snam of the Italgas Half-Year Report at 30 June 2014, together with the relevant management certifications involved in the Group procedures in place and subject to prior examination by the Italgas Board of Statutory Auditors.



Therefore, in light of the control it exercised over Italgas for the entire first half of 2014 and the full availability of the Company's information flows as at 30 June 2014, in accordance with the provisions of IFRS 10 – “Consolidated Financial Statements”, Snam had retained the procedures used for consolidating the subsidiary within the Group.

At the same time, Consob had informed Snam that it was investigating the possible effects of the Italgas matter on the accounting methods used in relation to the subsidiary in the reports pertaining to the period of the preventative measure.

Subsequently, with an order issued on 2 October 2014, the presiding judge gave a clearer definition of the scope of the judicial administration and the activities of the administrative body (hereinafter referred to as the “Order”). The Order specifies that the objectives of the judicial administration measure of which Italgas was notified are primarily related to inspection and focus on activities that may reveal whether there are indications of potential infiltration, with a view to taking the necessary steps. Based on this purpose and taking into account, in the case in question, that no action is being taken on the block of shares of the subsidiary and the fact that the preventative measure is a short-term, temporary measure, the Order states that there are no legal, operational or procedural grounds to call into question the parent company's powers, compliance with the Group's objectives and strategies, or observance of corporate procedures.

Confirming this, with regard to the activities of the administrative body, the Order also states that, without prejudice to compliance with the provisions of law, this more clearly defined scope and the specific instructions given to the judicial administrators are based on the following principles and activities:

1. The continuation by Italgas along the strategic lines defined in its previously adopted Business Plan and Budget, which, in line with the Snam Group's sustainability, confirm Italgas's position as a leading operator in the Italian natural gas distribution business ;
2. The maintenance of the cash pooling services performed by Snam to cover Italgas's financial requirements by accessing the financial markets, in line with the objectives approved in the Business Plan;
3. The maintenance of the services provided centrally by the Snam Group for Italgas, in line with and without prejudice to the contracts in place and the powers granted (with the sole exception of limitations to some powers of attorney that have already been provided for);
4. The maintenance of Italgas within the scope of consolidation of the Snam Group for the purposes of the national tax consolidation scheme, since the conditions provided for by the relevant regulations have been fulfilled;
5. The availability to Snam of Italgas information flows for the purposes of drawing up periodic Group consolidated financial reporting, including a statement from the Italgas management to Snam and to the independent auditors, in continuation of current procedures (in order to avoid comments from the independent auditors);
6. The sharing and continuation by Italgas of obligations relating to Snam's reporting control system pursuant to Law 262/2005 (in line with the steps already taken to maintain the Corporate Reporting Internal Control System);
7. Continuity in relations between the control bodies of Snam and Italgas: continuity in carrying out the duties and meetings of the control and supervisory bodies of Italgas, without prejudice to any appropriate and necessary involvement with the judicial administration body in relation to the requirements of the preventative measure;
8. Continuity in executing the Group's Annual Audit Schedule, which consists of the steps taken by the Group Internal Audit department in relation to Italgas's activities (as already carried out pursuant to the strategy of not introducing any amendments or delays to the annual schedule);
9. Continuity in relation to the body of Group procedures adopted by Italgas and the related interaction with Snam departments and management (including the “Extraordinary Transactions” procedure).

In light of the above, and in view of the scope of the judicial administration, the Order concluded that there were no obstacles to the consolidation of the Italgas S.p.A. financial statements within the Snam Group, without prejudice to the subsidiary retaining full independence and responsibility with regard to the adoption of decisions under its sole competency.



Snam has continued to work closely with the judicial authorities and the administrative body. Within this context, and partly in the interests of Italgas, Snam has appointed a leading specialised international company to conduct a thorough independent investigation aimed at:

- reconstructing the circumstantial framework outlined in the Decree, particularly with regard to Italgas's relations with the counterparties mentioned in the Decree and to the control system in force at the time;
- assessing the overall stability of the current risk management and internal control system, particularly with regard to the risk of infiltration and facilitation of organised crime in tenders.

Following its technical work pertaining to accounts and records and to the internal control system, the appointed company drew the following conclusions, in summary: (i) the supply relations with the counterparties mentioned in the Decree accounted for less than 1% of Italgas's total cumulative expenditure (and 0.16% of the Snam Group's total expenditure) between 2009 and 2014; (ii) the current risk management and internal control system appears to be effective and suitable for the purpose of identifying, preventing or minimising the corporate operational risk of infiltration/facilitation of organised crime in business and economic activities. The findings of the thorough independent investigation have been submitted to the judicial authorities.

For the purposes of the interim directors' report at 30 September 2014, and taking into account the considerations set out in the Order, Italgas S.p.A. remained within the Group's scope of consolidation.

At the end of the period of six months, the Court arranged the extension of the prevention measure for a further six months in accordance with Legislative Decree 159/2011. At the same time, the Court asked the administrative body to define a plan of measures aimed at concluding the activities, also with regard to the results announced by said administrative body. On 8 January 2015, the presiding judge issued an order confirming authorisation for Italgas to be included in the Group's consolidated financial statements, and ruled that the programme of measures should be drawn up taking into account Snam's proposals and the staging of a technical round table.

With regard to the identification of the scope of consolidation for the purpose of the 2014 annual report, Snam obtained two opinions from leading independent experts, which confirmed that Italgas should be included in the Group's scope of consolidation.

Based on the above considerations, and taking into account the opinions obtained, the fact that the events of recent months confirm the continuity of Snam's single management structure and the full availability of Italgas's information flow regarding the 2014 financial statements, which were approved by the judicial authorities, supported by accompanying statements and subject to prior assessment by the Italgas Board of Statutory Auditors, Snam opted to keep Italgas and its subsidiaries within the Group's scope of consolidation, in line with the accounting principles adopted for the financial documents published in 2014.

On 9 July 2015, the activities related to the withdrawal of the judicial administration ordered by the Court of Palermo with regard to Italgas were concluded. The Court, taking into account the outcome of the investigations conducted and the proactive collaboration provided by the Snam Group, ordered the Company's restitution with a provision of 29 June 2015.

Having acknowledged the revocation, on 9 July 2015 the Italgas Shareholders' Meeting reappointed all members of the Company's Board of Directors, the term of which expires at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2015.

Following the withdrawal of the judicial administration ordered by the Court of Palermo and the confirmation of the Board of Directors by the Shareholders' Meeting, Italgas is establishing implementing measures for the organisational and procedural plan as well as monitoring and checking on the Company's activities. Italgas is also providing the information flows required by Article 34, paragraph 8 of Legislative Decree 159/2011 (Judicial Control) for the competent authorities with regard to significant transactions; Italgas appealed against the provision of these information flows with the Palermo Court of Appeal. Italgas also informs the competent authorities of the results of the periodic reports of the Watch Structure.



25) Revenue

The breakdown of revenue for the three-year period is given in the table below:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Core business revenue	1,315	1,324	1,387	63	9	4.8%	0.7%
Other revenue and income	42	45	32	(13)	3	(28.9%)	7.1%
	1,357	1,369	1,419	50	12	3.7%	0.9%

All of the revenue is generated in Italy.

The breakdown of core business revenue is given below:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Natural gas distribution	953	973	1,027	54	20	5.5%	2.1%
Revenue for construction and infrastructure improvements (IFRIC 12)	319	316	321	5	(3)	1.6%	(0.9%)
Technical assistance, engineering, I.T. and various services	36	29	30	1	(7)	3.4%	(19.4%)
Distribution and sale of water	4	4	7	3		75.0%	
Heating management on a contract basis	3	2	2		(1)		(33.3%)
	1,315	1,324	1,387	63	9	4.8%	0.7%

Core business revenue is reported net of the following items involving tariff components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received from/paid by Italgas are paid/collected in full to the Energy and Environmental Services Fund (CSEA).

These components involve: (i) RE, to cover expenses for calculating and implementing energy savings and development of renewable energy sources in the gas sector; (ii) RS, to cover gas services quality; (iii) UG1, to cover any imbalances in the equalisation system and any adjustments; (iv) GS to cover the tariff compensation system for economically disadvantaged customers; (v) Bonus gas relating to the requests for subsidies for natural gas provision for economically disadvantaged customers; (vi) UG2, to offset retail sales marketing costs; (vii) UG3int, to cover expenses related to interruptions to the service; (viii) UG3ui, to cover expenses related to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider, as well as any arrears expenses incurred by Suppliers of Last Instance, exclusively for end customers whose supplies cannot be suspended; (ix) UG3ft, to cover expenses relating to the service for temporary providers on the transportation network.

2015 vs 2014

Core business revenue, equal to €1,387 (+4.8% compared with the previous year) increased by €63 million mainly as a result of Acam Gas joining the scope of consolidation from 1 April 2015 (+€18 million) and the consolidation of AES Torino with effect from 1 July 2014 (+€43 million).

Revenue for gas distribution refers to the transportation of natural gas on behalf of all commercial operators requiring access to the Company's networks based on the Network Code; the most significant annual



volumes transported were in relation to the activities carried out for Eni S.p.A.. This revenue was calculated based on Authority resolutions 367/2014/R/gas, 147/2015/R/gas.

2014 vs 2013

Core business revenue, equal to €1,324 million (+0.7% compared with the previous year) rose by €9 million mainly as a result of greater revenue from distribution activities (+€20 million) partly offset by lower revenues for services (-€7 million).

The increase in revenue from distribution activities relates mainly to AES Torino joining the scope of consolidation with effect from 1 July 2014 (+€34 million) partly offset by the change in the tariff-setting procedures that apply to the new regulation period 1 January 2014 - 31 December 2019 (-€14 million).

Revenue for gas distribution refers to the transportation of natural gas on behalf of all commercial operators requiring access to the Company's networks based on the Network Code; the most significant annual volumes transported were in relation to the activities carried out for Eni S.p.A.. This revenue was calculated based on Authority resolutions 367/2014/R/gas, 132/2014/R/gas.

Other revenue and income

Other revenue and income break down as follows:

(€ million)							
	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Repayments from third-parties insurance claims	20	21	12	(9)	1	(42.9%)	5.0%
Income from property investments	7	8	8		1		14.3%
Contractual penalties	1	1	1				
Net income from Energy Efficiency Certificates		6	1	(5)	6	(83.3%)	
Capital gains from disposal of assets	10				(10)		
Other revenue and income	4	9	10	1	5	11.1%	
	42	45	32	(13)	3	(28.9%)	7.1%

2015 vs 2014

Other revenue and income, of €32 million (€45 million at 31 December 2014) fell by €13 million specifically for the lower repayments by third-parties and insurance claims (-€9 million) and lower income from Energy Efficiency Certificates (-€5 million). They are exposed net of related costs of €78 million (€69 million in 2014).

2014 vs 2013

Other revenue and income of €45 million (€42 million at 31 December 2013) increased by €3 million specifically as a result of greater income from Energy Efficiency Certificates (+€6 million) and other revenue and income (+€5 million) mainly relating to greater repayments by the CSEA for expenses related to the interruption of the supply of redelivery points requested by the sales companies.



The income from Energy Efficiency Certificates are exposed net of related costs of €69 million (€78 million in 2013).

26) Operating costs

The break down of operating costs is given in the table below:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Purchases, services and other costs	446	468	449	(19)	22	(4.1%)	4.9%
Personnel cost	192	179	228	49	(13)	27.4%	(6.8%)
	638	647	677	30	9	4.6%	1.4%

Operating costs connected with the construction and upgrading of natural gas infrastructures associated with concession agreements pursuant to the provisions of IFRIC 12 break down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Purchase costs for raw materials, consumables, supplies and goods	26	43	73	30	17	69.8%	65.4%
Costs for services	189	175	160	(15)	(14)	(8.6%)	(7.4%)
Costs for the use of third-party assets	12	10	10		(2)		(16.7%)
Personnel cost	92	88	78	(10)	(4)	(11.4%)	(4.3%)
	319	316	321	5	(3)	1.6%	(0.9%)


ITALGAS
Italgas 2013 - 2015 Consolidated Financial Statements
Purchases, services and other costs

The item purchases, services and other costs breaks down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Purchase costs for raw materials, consumables, supplies and goods	43	66	95	29	23	43.9%	53.5%
Costs for services	287	285	280	(5)	(2)	(1.8%)	(0.7%)
Costs for the use of third-party assets	69	70	75	5	1	7.1%	1.4%
Changes in raw materials, consumables, supplies and goods	4	(3)	(4)	(1)	(7)	33.3%	
Net accrual to provisions for risk charges	16	26	(14)	(40)	10		62.5%
Net allocations to the provision for impairment losses on receivables	(1)		(3)	(3)	1		
Other expenses	30	26	22	(4)	(4)	(15.4%)	(13.3%)
Less:							
Increase on internal work							
- of which costs for services	(2)	(2)	(2)				
	446	468	449	(19)	22	(4.1%)	4.9%

Costs for raw materials, consumables, supplies and goods break down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Purchase of materials	40	63	92	29	23	46.0%	57.5%
Purchase of water	2	2	2				
Motive power	1	1	1				
	43	66	95	29	23	43.9%	53.5%

2015 vs 2014

Costs for the purchase of materials rose by €29 million mainly following greater purchases of gas meters and piping (+€23 million) and Acam Gas joining the scope of consolidation with effect from 1 April 2015 (+€2 million) and AES Torino with effect from 1 July 2014 (+€4 million).

Costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution infrastructures (€73 million in 2015 and €43 million in 2014) recorded when IFRIC 12 came into force on 1 January 2010.

2014 vs 2013

Costs for the purchase of materials rose by €23 million mainly following greater purchases of gas meters and piping (+€20 million) and AES Torino joining the scope of consolidation with effect from 1 July 2014 (+€3 million).



Costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution infrastructures (€43 million in 2014 and €26 million in 2013) recorded when IFRIC 12 came into force on 1 January 2010.

Costs for services involve:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Works management and maintenance projects	157	152	132	(20)	(5)	(13.2%)	(3.2%)
General services	49	52	54	2	3	3.8%	6.1%
Consultancy and professional services	11	14	19	5	3	35.7%	27.3%
Costs for IT services	13	14	13	(1)	1	(7.1%)	7.7%
Costs for services relating to personnel	11	11	12	1		9.1%	
Telecommunications services	9	7	8	1	(2)	14.3%	(22.2%)
Other sales costs	7	7	8	1		14.3%	
Electricity, water and other services (€ million)	8	7	7		(1)		(12.5%)
Insurance	7	6	7	1	(1)	16.7%	(14.3%)
Cleaning, supervisory and car services	3	3	3				
Advertising, promotion and representation	1	1	1				
Miscellaneous services	15	15	18	3		20.0%	
Use of risk provision	(4)	(4)	(2)	2		(50.0%)	
Less							
- increase on internal work	(2)	(2)	(2)				
	285	283	278	(5)	(2)	(1.8%)	(0.7%)

2015 vs 2014

Costs for services of €278 million (a fall of €5 million compared with the previous year) include costs relating to the construction and upgrading of gas distribution infrastructures (€160 million in 2015 and €175 million in 2014) recorded when IFRIC 12 came into force on 1 January 2010.

Research and development costs do not satisfy the conditions established for recognition under balance sheet and cash flow assets; consequently they were recorded in the income statement and the amount was less than €1 million.

2014 vs 2013

Costs for services of €283 million (a fall of €2 million compared with 2013) include costs relating to the construction and upgrading of gas distribution infrastructures (€175 million in 2014 and €189 million in 2013) recorded when IFRIC 12 came into force on 1 January 2010.

Research and development costs do not satisfy the conditions established for recognition under balance sheet and cash flow assets; consequently they were recorded in the income statement and the amount was less than €1 million.



Costs for the use of third-party assets refer to:

(€ million)							
	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Fees for patents, licences and concessions	66	67	72	5	1	7.5%	1.5%
Leases and rentals	3	3	3				
	69	70	75	5	1	7.1%	1.4%

2015 vs 2014

Costs for the use of third-party assets of €75 million (€70 million in 2014) include costs relating to the construction and upgrading of gas distribution infrastructures (€10 million in 2015 and in 2014) recorded when IFRIC 12 came into force on 1 January 2010.

Fees for patents, licences and concessions mainly involve fees paid to the granting authorities for the gas distribution service.

2014 vs 2013

Costs for the use of third-party assets of €70 million (€69 million in 2013) include costs relating to the construction and upgrading of gas distribution infrastructures (€10 million in 2014 and €12 million in 2013) recorded when IFRIC 12 came into force on 1 January 2010.

Fees for patents, licences and concessions mainly involve fees paid to the granting authorities for the gas distribution service.

Other costs break down as follows:

(€ million)							
	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Capital losses from disposal of fixed assets	8	14	12	(2)	6	(14.3%)	75.0%
Indirect taxes, levies and local duties	7	8	9	1	1	12.5%	14.3%
Expenses for transactions, claims and settlements	1	1	2	1			
Membership contributions	2	2	2				
Use of risk provision		(4)	(5)	(1)	(4)	25.0%	
TEE expenses	9				(9)		
Other expenses	3	5	2	(3)	2	(60.0%)	
	30	26	22	(4)	(4)	(15.4%)	(13.3%)

2015 vs 2014

Other expenses of €22 million (€26 million in 2014) mainly involve capital losses from the disposal of fixed assets for €12 million (-€2 million compared with the previous year) essentially relating to the replacement of meters and indirect taxes, levies and local duties of €9 million (+€1 million compared with 2014) regarding property tax (€4 million), tax on the occupation of public spaces and areas (€2 million), waste disposal tax (€1 million) and miscellaneous taxes (€2 million).



The reduction equal to €4 million over the previous year is due mainly to lower miscellaneous taxes (-€3 million) and the fall in capital losses from disposals mentioned previously (-€2 million).

2014 vs 2013

Other expenses of €26 million (€30 million in 2013) mainly involve capital losses from the disposal of fixed assets for €14 million (+€6 million compared with the previous year) essentially relating to the replacement of meters and indirect taxes, levies and local duties of €8 million (+€1 million compared with 2013) regarding property tax (€4 million), tax on the occupation of public spaces and areas (€2 million), waste disposal tax (€1 million) and miscellaneous taxes (€1 million).

The reduction of €4 million compared with the previous year is due to the greater utilisation made in 2014 (€4 million).

Information on provisions for risks and charges can be found in the previous paragraph “Provisions for risks and charges”.

Allocations to the provision for impairment losses on receivables were made based on risk assessments of failure to collect receivables recorded at the end of the reference year. They are recorded net of uses whose value is highlighted in the corresponding item in the statement of financial position.

Personnel cost

Personnel cost breaks down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Wages and salaries	141	143	149	6	2	4.2%	1.4%
Social security costs	46	48	49	1	2	2.1%	4.3%
Employee benefits	4	1	35	34	(3)		(75.0%)
Costs of seconded personnel	2	2	2				
Income from seconded personnel	(21)	(19)	(17)	2	2	(10.5%)	(9.5%)
Other costs	24	10	18	8	(14)		(58.3%)
Less							
Increase on internal work	(4)	(6)	(8)	(2)	(2)	33.3%	50.0%
	192	179	228	49	(13)	27.4%	(6.8%)

The item includes costs relating to the construction and upgrading of gas distribution infrastructures (€78 million in 2015, €88 million in 2014 and €92 million in 2013) recorded when IFRIC 12 came into force on 1 January 2010.

Personnel cost includes the retribution paid to personnel, deferred retribution, allocations for severance pay, holidays accrued and not taken, personnel ancillary costs, social security payments made by the Company, in accordance with employment contracts and existing laws.



2015 vs 2014

Personnel cost, equal to €228 million, rose by €49 million compared with 2014 mainly as a result of the increase in expenses for employee benefits (+€34 million compared with the previous year) regarding costs associated with the elimination of the Gas Fund¹⁷ (€35 million).

The item other costs, equal to €18 million, increased compared with the previous year (+€8 million) in the light of higher net provisions relating to voluntary redundancy.

2014 vs 2013

Personnel cost, equal to €179 million, fell by €13 million compared with 2013 mainly as a result of the fall in other costs (-€15 million) as a result of lower net provisions relating to voluntary redundancy.

Average number of employees

The average number of employees, broken down by professional status is given in the table below:

	Average tenure			Average service		
	2013	2014	2015	2013	2014	2015
Executives	25	25	27	24	25	28
Managers	190	192	200	139	148	163
Office workers	1,737	1,775	1,820	1,517	1,573	1,632
Manual workers	1,328	1,345	1,393	1,324	1,342	1,389
	3,280	3,337	3,440	3,004	3,088	3,212

The average number of employees is calculated on the basis of the monthly number of employees for each category. Tenured employees refers to employees registered in the Single Employment Ledger; workforce employees refers to the above-mentioned tenured employees excluding employees given to/received from other companies.

27) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment break down as follows:

(€ million)	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Intangible assets IFRIC 12	182	210	232	22	28	10.5%	15.4%
Intangible assets	18	21	27	6	3	28.6%	16.7%
Property, plant and equipment	14	14	14				
	214	245	273	28	31	11.4%	14.5%

¹⁷ From 1 December 2015, Law No. 125 of 6 August 2015, eliminated the supplementary compulsory general insurance fund for disability, old-age and survivors for employees of private gas companies (hereinafter the "Gas Fund"). 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. These expenses, which are estimated on the basis of actuarial assumptions, are currently valued at €40 million (€28 million net of tax effect).



2015 vs 2014

Amortisation, depreciation and write downs of €273 million (€245 million in 2014) rose by €28 million mainly as a result of the consolidation of AES Torino for the whole of 2015 unlike in 2014 (consolidation from 1 July 2014 +€19 million) and from Acam Gas joining the scope of consolidation (+€3 million).

2014 vs 2013

Amortisation, depreciation and write downs of €245 million (€214 million in 2013) rose by €31 million mainly as a result of the consolidation of AES Torino (consolidation from 1 July 2014, +€9 million).

28) Financial income (expenses)

Financial income (expense) breaks down as illustrated below:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Financial expenses	61	56	48	(8)	(5)	(14.3%)	(8.2%)
Other financial income		(6)	(5)	1	(6)	(16.7%)	
Other financial expense	9	4	5	1	(5)	25.0%	(55.6%)
	70	54	48	(6)	(16)	(11.1%)	(22.9%)

Financial expenses refer to interest liabilities on loans to the parent company Snam S.p.A..

In detail, the financial income and expenses break down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Financial expense related to net financial debt	61	56	48	(8)	(5)	(14.3%)	(8.2%)
Interest liabilities on loans from Snam	61	56	48	(8)	(5)	(14.3%)	(8.2%)
Financial expense capitalised	(1)	(1)	(1)				
Other financial expense (income)	10	(1)	1	2	(11)		
Financial expense (income) associated with the transfer fund estimate	9	(5)	(3)	2	(14)	(40.0%)	
Other income		(1)	(1)		(1)		
Other expenses	1	5	5		4		
	70	54	48	(6)	(16)	(11.1%)	(22.9%)

2015 vs 2014

Net financial income, equal to €48 million, fell by €6 million compared with the previous year mainly as a result of lower income expense relating to the net financial debt (-€8 million). For more details refer to the



break downs given in "Short-term financial liabilities, long-term financial liabilities and short-term portion of long-term financial liabilities".

Financial expense capitalised of €1 million, (the same amount at 31 December 2014) relates to the portion of financial expense capitalised pursuant to investment activities. For details, see the breakdown in "Property, plant and equipment" and in "Intangible assets".

The interest rate used for the capitalisation of financial expenses was 0.944% for investments related to the Snam S.p.A. loan (1.19% in 2014) and 4.06% for further investments (4.08% in 2014).

The financial expenses (income) associated with the reclamation fund (-€2 million) decreased in the light of the reduction in the discount rate.

There are no derivative financial instruments.

2014 vs 2013

Net financial income, equal to €54 million, fell by €16 million compared with the previous year mainly as a result of lower income expense relating to the net financial debt (-€5 million) and the reduction in financial expenses associated with the estimate of the reclamation fund (-€14 million).

Financial expense capitalised of €1 million, (the same amount at 31 December 2013) relates to the portion of financial expense capitalised pursuant to investment activities.

The interest rate used for the capitalisation of financial expenses was 1.19% for investments related to the Snam S.p.A. loan and 4.08% for further investments (3.67% in 2013).

Financial expenses (income) associated with the reclamation fund estimate (-€14 million) fell following the change to the estimates of the repayment times of the liability associated with expenses for environmental reclamation operations, an effect offset by the reduction in the discount rate.

There are no derivative financial instruments.

29) Income and expense from equity investments

The income (expense) from equity investments breaks down as illustrated below:

(€ million)							
	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Equity method valuation effect	60	46	20	(26)	(14)	(56.5%)	(23.3%)
Capital gains from valuation using the method	60	46	20	(26)	(14)	(56.5%)	(23.3%)
Other income (expenses) from investments		52	9	(43)	52	(82.7%)	
Other income from equity investments		52	9	(43)	52	(82.7%)	
	60	98	29	(69)	38	(70.4%)	63.3%

Details of capital gains and capital losses from the measurement of equity investments using the equity method can be found in the note "Equity-accounted investments".



2015 vs 2014

Net income from equity investments (€29 million) comprised: (i) the portions of the net results for the period attributable to businesses valued using the equity method (€20 million; -€26 million compared with 2014) refer specifically to the company Toscana Energia S.p.A. (€20 million; -€3 million compared with 2014); (ii) other income (€9 million) regarding the effects of the valuation of the Acam Gas S.p.A. portion calculated on the basis of the fair value at the date of acquisition of control.

2014 vs 2013

Net income from equity investments (€98 million) comprised: (i) the portions of the net results for the period attributable to businesses valued using the equity method (€46 million; -€14 million) refer specifically to the company Toscana Energia S.p.A. (€23 million; +€4 million) and AES Torino S.p.A. (€20 million¹⁸; -€16 million); (ii) other income (€52 million) from the revaluation (€51 million) of the stake previously held in AES Torino (49%) at the respective fair value at the date of acquisition of control.

30) Income taxes

Income taxes break down as follows:

(€ million)

	2013	2014	2015	Change 2015 vs 2014	Change 2014 vs 2013	% change 2015 vs 2014	% change 2014 vs 2013
Current taxes	240	214	169	(45)	(26)	(21.0%)	(10.8%)
- IRES	203	181	147	(34)	(22)	(18.8%)	(10.8%)
- IRAP	37	33	22	(11)	(4)	(33.3%)	(10.8%)
Deferred and prepaid taxes	(46)	(99)	(59)	40	(53)	(40.4%)	115.2%
Deferred taxes	(37)	(44)	(35)	9	(7)	(20.5%)	18.9%
Prepaid taxes	(9)	(4)	(2)	2	5	(50.0%)	(55.6%)
Adjustment to deferred taxes pursuant to the 2016 Financial Stability Law			(22)	(22)			
Adjustment to deferred taxes (Robin Hood Tax)		(51)		51	(51)		
	194	115	110	(5)	(79)	(4.3%)	(40.7%)

2015 vs 2014

Income tax (€110 million) decreased by €5 million, or 4.3%, compared with the previous year. The reduction is mainly due to: (i) when the additional IRES, the so-called Robin Hood Tax was declared unconstitutional with effect from 1 January 2015 by ruling 10/2015 of 9 February 2015 (-€34 million); (ii) the adjustment of deferred taxes resulting from the reduction, from 1 January 2017, of the IRES rate from 27.5% to 24% (-€22 million), pursuant to the 2016 Stability Law. These factors were partly offset by the effects of the adjustment in deferred tax in 2014 as a result of the Robin Hood Tax being declared unlawful (+€51 million).

The tax rate was 24.5% (22.1% in 2014).

¹⁸ The results of AES Torino are seen for the period 1 January 2014 - 30 June 2014. From 1 July 2014 AES was fully consolidated within the distribution segment.

**2014 vs 2013**

Income tax (€115 million) decreased by €79 million, or -40.7%, compared with the previous year. The decrease is mainly attributable to the cancellation of the so-called Robin Hood Tax from 2015, which decreased deferred taxes of €51 million and the reduction in the rate of the same tax for 2014, equal to 6.5% compared with 10.5% in 2013.

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) and regional production tax (IRAP) rates in force in Italy) with the actual tax charge for the years can be broken down as follows:

(€ million)

	2013		2014		2015	
	tax rate	balance	tax rate	balance	tax rate	balance
IRES						
Pre-tax result		495		521		450
IRES, calculated based on the theoretical tax rate	27.5%	136	27.5%	143	27.5%	124
<i>Changes to the theoretical rate</i>						
Adjustment to deferred taxes (IRES) pursuant to the Financial Stability Law					(4.9%)	(22)
Adjustment to deferred taxes (Robin Hood Tax)			(9.8%)	(51)		
Effects of the application of additional IRES (Robin Hood Tax) (Legislative Decree 138/2011 converted into Law 148/2011)	9.5%	47	4.7%	25		
Untaxed earnings	(5.2%)	(26)	(3.3%)	(16)	(0.8%)	(4)
Other permanent tax differences	0.8%	4	(3.4%)	(17)	(2.2%)	(10)
	32.6%	161	15.7%	84	19.6%	88

(€ million)

	2013		2014		2015	
	tax rate	balance	tax rate	balance	tax rate	balance
IRAP						
Difference between value and production costs		505		477		469
IRAP, calculated based on the theoretical tax rate	4.2%	21	4.2%	20	4.2%	19
<i>Changes to the theoretical rate</i>						
Personnel costs not included in the difference between value and production costs	1.6%	8	1.4%	7		
Changes for different IRAP rates						
Other permanent tax differences	0.8%	4	0.8%	4	0.7%	3
	6.6%	33	6.4%	31	4.9%	22



31) Earnings per share

The earnings per simple share, equal to €1.35 per share (€1.61 in 2014 and €1.19 in 2013) are calculated by dividing the net attributable profit (€340 million in 2015, €406 million in 2014 and €301 million in 2013) by the number of Italgas shares.

32) Related-party transactions

Considering the de facto control of CDP S.p.A. over the parent company Snam S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, based on the current Group ownership structure the related parties are represented by the direct parent company Snam, the indirect parent company CDP S.p.A. and its subsidiaries, associates and joint ventures, as well as (direct or indirect) subsidiaries, associates and joint ventures of the Ministry of Economy and Finance. Members of the Board of Directors, Statutory Auditors and Snam Group managers with strategic responsibilities, and their families, are also regarded as related parties.

Transactions with related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the Company.

The Company is subject to management and coordination pursuant to Article 2497 *et seq.* of the Italian Civil Code by the parent company Snam S.p.A.. The transactions carried out by the Company with related-parties essentially involve the trading of goods, the provision of services, the supply and use of financial means with the entities defined above.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the 2014 and 2015 financial years. The nature of the most significant transactions is also stated.


ITALGAS
Italgas 2013 - 2015 Consolidated Financial Statements
Commercial and other transactions

Commercial and other transactions are broken down in the table below:

(€ million)	31.12.2013			2013					
	Receivables	Payables	Guarantees and commitments	Costs			Revenue		
				Goods	Services	Other	Goods	Services	Other
Parent Companies:									
Snam S.p.A.	5	20		3	49	(15)		1	2
Companies controlled by Snam S									
Snam Rete Gas S.p.A.	1	2		3	2	(2)			1
Unconsolidated subsidiaries and joint ventures									
AES Torino S.p.A.	1							1	
SETEAP S.p.A.	4								
Toscana Energia S.p.A.	1	1						2	
Umbria Distribuzione Gas S.p.A.								1	
ACAM Gas S.p.A.	1								
Companies owned or controlled State									
Eni group	248	23		6	5	10		799	12
Anas Group							1		
Enel group	20	1						74	
Other companies					1	1		1	
	281	47		12	57	(5)		879	15



	31.12.2014			2014					
	Receivables	Payables	Guarantees and commitments	Costs			Revenue		
(€ million)				Goods	Services	Other	Goods	Services	Other
Parent Companies:									
Snam S.p.A.	19	44		3	58	(18)			2
Companies controlled by S.p.A.									
Snam Rete Gas S.p.A.	1	1			3	(2)			1
Gasrule Insurance Ltd		1			1				
Unconsolidated subsidiaries, associates and joint ventures									
SETEAP S.p.A.	5							1	
Toscana Energia S.p.A.	1							2	
Umbria Distribuzione Gas S.p.A.	1							1	
ACAM Gas S.p.A.			46						
Companies owned or controlled by the State									
Eni group	130	32		9	6			591	10
Anas Group		1							
Enel group	13					1		59	
Other companies						1			
	170	79	46	12	68	(18)		654	13

	31.12.2015			2015					
	Receivables	Payables	Guarantees and commitments	Costs			Revenue		
(€ million)				Goods	Services	Other	Goods	Services	Other
Parent Companies:									
Snam S.p.A.	11	51		6	60	(16)			2
Companies controlled by Snam S.p.A.									
Snam Rete Gas S.p.A.	1	2		1	3	1			1
Gasrule Insurance Ltd		1			2				
Unconsolidated subsidiaries, associates and joint ventures									
Toscana Energia S.p.A.	3							2	
Umbria Distribuzione Gas S.p.A.	1							1	
Companies owned or controlled by the State									
Eni group	132	34		7	5	5		703	9
Anas Group									
Enel group	16	1						90	1
Other companies		1				1			
	164	90		14	70	(9)		796	13



Relations with the parent company Snam

The main passive commercial transactions refer to the services provided centrally by the parent company Snam S.p.A. (ICT, personnel and organisation, planning, finance and control, legal affairs, company secretary office, general services, property and security, enterprise risk management, institutional relations and communication, HSEQ, regulations and internal audit), whose pricing model is based on recharging the costs incurred for the provision of services in accordance with a full cost logic, to the provision of services of an I.T. nature, development of infrastructures and loans of personnel.

The main commercial relations in existence involve loans of personnel and leasing of properties.

Relations with subsidiaries and associates of Snam S.p.A.

Passive relations of a commercial nature involve the provision of technical services (relating to metering and cathodic protection), project control, procurement and investments by Snam Rete Gas S.p.A.. With Gasrule Insurance Ltd relations of a commercial nature involve insurance services.

Relations with unconsolidated subsidiaries, associates and joint ventures

The main commercial relations in existence specifically involve the following types:

- loans of personnel to AES Torino S.p.A. (for 2013);
- I.T. services to Toscana Energia S.p.A..

The main passive relations that took place refer to relations of a commercial nature with Toscana Energia S.p.A..

Relations with companies owned or controlled by the State

The main active commercial relations refer to:

- natural gas distribution and loans of personnel involving Eni S.p.A.;
- property management services, I.T. services and loans of personnel involving Eni S.p.A.;
- natural gas distribution involving Enel Energia S.p.A..

The main passive relations involve:

- the supply of electricity and methane gas for internal consumption by Eni S.p.A.;
- services involving the running and maintenance of properties, personnel-related services, the management of canteens and other services of a general nature by Eni Servizi S.p.A..

Financial transactions

Relations of a financial nature take place with Snam S.p.A. and involve the hedging of financial requirements and the use of liquidity through a cash-flow agreement to deal with current financial requirements and through medium-/long-term loan agreements.

	31.12.2013			2013	
	Receivables	Payables	Guarantees and commitments	Income	Expense
(€ million)					
Parent Companies:					
Snam S.p.A.		1,664			61
		1,664			61



(€ million)	31.12.2014			2014	
	Receivables	Payables	Guarantees and commitments	Income	Expense
Parent Companies:					
Snam S.p.A.		1,819			56
		1,819			56

(€ million)	31.12.2015			2015	
	Receivables	Payables	Guarantees and commitments	Income	Expense
Parent Companies:					
Snam S.p.A.		1,850			48
		1,850			48

33) Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during 2013, 2014 and 2015..

34) List of equity investments

Below are the lists of directly and indirectly controlled subsidiaries and associates of Italgas S.p.A. at 31.12.2008 as well as the other significant equity investments pursuant to Article 126 of Consob Resolution No. 11971 of 14 May 1999 and later amendments.

The following information is given for each company: name, registered office, share capital, shareholders and respective ownership percentages; for consolidated companies the consolidated percentage pertaining to Italgas S.p.A. is given; for non-consolidated companies or subsidiaries of consolidated companies, the evaluation criterion is given (equity or cost).

2015

CONSOLIDATING COMPANY

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Italgas S.p.A.	Turin	euro	252,263,314	Snam S.p.A.	100%	100%	Consolidated



Italgas 2013 - 2015 Consolidated Financial Statements

SUBSIDIARIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
ACAM Gas S.p.A.	La Spezia	euro	68,090,000	Italgas S.p.A.	100%	100%	Consolidated
AES Torino S.p.A.	Turin	euro	54,150,000	Italgas S.p.A.	100%	100%	Consolidated
Napoletanagas S.p.A.	Naples	euro	15,400,000	Italgas S.p.A. Minority shareholders	99.69% 0.31%	99.69%	Consolidated

ASSOCIATE COMPANIES AND JOINT VENTURES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Toscana Energia S.p.A.	Florence	euro	146,214,387	Italgas S.p.A. Minority shareholders	48.08% 51.92%	48.08%	Shareholders' equity
Umbria Distribuzione Gas S.p.A.	Terni	euro	2,120,000	Italgas S.p.A. Minority shareholders	45.00% 55.00%	45.00%	Shareholders' equity
Metano Sant'Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	euro	200,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	50.00%	Shareholders' equity
Toscana Energia S.p.A.	Pistoia	euro	6,330,804	Toscana Energia S.p.A.	100%		
Toscogen S.p.A. (in liquidation)	Pisa	euro	2,582,284	Toscana Energia S.p.A. Minority shareholders	56.67% 43.33%		

OTHER COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Agenzia Napoletana per l'Energia e per l'Ambiente	Naples	euro	418,330	Napoletanagas S.p.A. Minority shareholders	12.96% 87.04%		Valuation at cost

The changes in the scope of consolidation at 31 December 2015 compared with 31 December 2014 involved the admission of Acam Gas S.p.A. following the acquisition by Italgas of the remaining 51% of the share



capital of the company. Following that transaction, effective as of 1 April 2015, Italgas now holds the entire share capital of Acam Gas S.p.A.

Also note that with effect from 1 January 2015, Metano Arcore S.p.A. and SETEAP S.p.A. were subject to merger by incorporation, respectively, into Italgas S.p.A. and Napoletana Gas S.p.A..

2014

CONSOLIDATING COMPANY

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Italgas S.p.A.	Turin	euro	252,263,314	Snam S.p.A.	100%	100%	Consolidated

SUBSIDIARIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
AES Torino S.p.A.	Turin	euro	54,150,000	Italgas S.p.A.	100%	100%	Consolidated
Metano Arcore S.p.A.	Arcore (MI)	euro	175,000	Italgas S.p.A.	100%	100%	Shareholders' equity
Napoletanagas S.p.A.	Naples	euro	15,400,000	Italgas S.p.A. Minority shareholders	99.69% 0.31%	99.69%	Consolidated
SETEAP S.p.A.	Naples	euro	5,143,000	Napoletanagas	100%	100%	Shareholders' equity



ASSOCIATE COMPANIES AND JOINT VENTURES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
ACAM Gas S.p.A.	La Spezia	euro	68,090,000	Italgas S.p.A.	49.00 %	49.00%	Shareholders' equity
				Minority shareholders	51.00 %		
Agestel S.p.A.	Pisa	euro	775,000	Toscana Energia S.p.A.	100%		
Metano Casalpusterlengo S.p.A. (in liquidation)	Casalpusterlengo (LO)	euro	100,000	Italgas S.p.A.	50.00 %	50.00%	Shareholders' equity
				Minority shareholders	50.00 %		
Metano Sant'Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	euro	200,000	Italgas S.p.A.	50.00 %	50.00%	Shareholders' equity
				Minority shareholders	50.00 %		
Toscana Energia S.p.A.	Florence	euro	146,214,387	Italgas S.p.A.	48.08 %	48.08%	Shareholders' equity
				Minority shareholders	51.92 %		
Toscana Energia S.p.A.	Pistoia	euro	6,330,804	Toscana Energia S.p.A.	100%		
Toscogen S.p.A. (in liquidation)	Pisa	euro	2,582,284	Toscana Energia S.p.A.	56.67 %		
				Minority shareholders	43.33 %		
Umbria Distribuzione Gas S.p.A.	Terni	euro	2,120,000	Italgas S.p.A.	45.00 %	45.00%	Shareholders' equity
				Minority shareholders	55.00 %		

OTHER COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Agenzia Napoletana per l'Energia e per l'Ambiente	Naples	euro	418,330	Napoletanagas S.p.A.	12.96%		Valuation at cost
				Minority shareholders	87.04%		

The changes in the scope of consolidation at 31 December 2014 compared with 31 December 2013 involved the admission of AES Torino following the acquisition by Italgas of the remaining 51% of the share capital of the company. Following that transaction, effective as of 1 July 2014, Italgas now holds the entire share capital of AES Torino S.p.A.



2013

CONSOLIDATING COMPANY

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Italgas S.p.A.	Turin	euro	252,263,314	Snam S.p.A.	100%	100%	Consolidated

SUBSIDIARIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Napoletanagas S.p.A.	Naples	euro	15,400,000	Italgas S.p.A. Minority shareholders	99.69% 0.31%	99.69%	Consolidated
SETEAP S.p.A.	Naples	euro	5,143,000	Napoletanagas	100%	100%	Shareholders' equity

ASSOCIATE COMPANIES AND JOINT VENTURES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
ACAM Gas S.p.A.	La Spezia	euro	68,090,000	Italgas S.p.A. Minority shareholders	49.00% 51.00%	49.00%	Shareholders' equity
Agestel S.p.A.	Pisa	euro	775,000	Toscana Energia S.p.A.	100%		
AES Torino S.p.A.	Turin	euro	110,500,000	Italgas S.p.A. Minority shareholders	49.00% 51.00%	49.00%	Shareholders' equity
Metano Arcore S.p.A.	Arcore (MI)	euro	175,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	50.00%	Shareholders' equity
Metano Borgomanero S.p.A. (in liquidation)	Borgomanero (NO)	euro	250,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	50.00%	Shareholders' equity
Metano Casalbusterlengo S.p.A. (in liquidation)	Casalbusterlengo (LO)	euro	100,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	50.00%	Shareholders' equity



ITALGAS

Italgas 2013 - 2015 Consolidated Financial Statements

Metano Sant'Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	euro	200,000	Italgas S.p.A.	50.00	50.00%	Shareholders' equity
					%		
					50.00		
					Minority shareholders		%
Toscana Energia S.p.A.	Florence	euro	146,214,387	Italgas S.p.A.	48.08	48.08%	Shareholders' equity
					%		
					51.92		
					Minority shareholders		%
Toscana Energia S.p.A.	Pistoia	euro	6,330,804	Toscana Energia S.p.A.	100%		
Toscogen S.p.A. (in liquidation)	Pisa	euro	2,582,284	Toscana Energia S.p.A.	56.67		
					%		
					43.33		
					Minority shareholders		%
Umbria Distribuzione Gas S.p.A.	Terni	euro	2,120,000	Italgas S.p.A.	45.00	45.00%	Shareholders' equity
					%		
					55.00		
					Minority shareholders		%

OTHER COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method evaluation criterion
Agenzia Napoletana per l'Energia e per l'Ambiente	Naples	euro	418,330	Napoletanagas S.p.A.	12.96%		Valuation at cost
				Minority shareholders	87.04%		

In 2013 there were no changes to the scope of consolidation, which therefore remains unchanged compared with the situation at 31 December 2012.



Italgas S.p.A.

Consolidated financial statements

31 December 2015, 2014 and 2013

Independent auditor's report



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Independent auditor's report
(Translation from the original Italian text)

To the Board of Directors of
Italgas S.p.A.

We have audited the accompanying consolidated financial statements of Italgas S.p.A. and its subsidiaries (the "Italgas Group"), which comprise the consolidated statements of financial position as of 31 December 2015, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in consolidated shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Italgas S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Italian Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Italgas Group as of 31 December 2015, 2014 and 2013, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale € 2.750.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited



Other matters

Italgas Group prepared the accompanying consolidated financial statements in connection with the planned partial and proportional demerger of Snam S.p.A. in favor of ITG Holding S.p.A and subsequent listing of the shares of the latter on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A..

Turin, 29 July 2016

EY S.p.A.
Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers.



**Italgas condensed interim consolidated financial
statements**

30 June 2016



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Contents

Condense interim consolidated financial statements	
Consolidated statement of financial position	3
Consolidated income statement	4
Consolidated statement of comprehensive income	4
Statement of changes in consolidated shareholders' equity	5
Consolidated statement of cash flows	6
Notes to the condensed interim consolidated financial statement	7
Annexes:	
Main data for Italgas S.p.A.	40
Statement of financial position for Italgas S.p.A.	41
Income statement for Italgas S.p.A.	42
Statement of cash flows for Italgas S.p.A.	43



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Consolidated statement of financial position

(€ million)

	31.12.2015		30.06.2016	
	Total	of which with related parties	Total	of which with related parties
ASSETS				
Current assets				
Cash and cash equivalents	2		1	
Other financial assets held for trading or available for sale				
Trade and other receivables	575	164	473	134
Inventories	19		24	
Current income tax assets	8		7	
Other current tax assets	4		4	
Other current assets	3		6	1
	611		515	
Non-current assets				
Property, plant and equipment	230		226	
Compulsory inventories				
Intangible assets	4,472		4,465	
Investments valued using the equity method	169		165	
Other equity investments				
Other financial assets				
Other non-current assets	5		5	
	4,876		4,861	
Non-current assets held for sale	24		24	
TOTAL ASSETS	5,511		5,400	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term financial liabilities	409	409	308	308
Short-term portion of long-term financial liabilities	24	24	136	136
Trade and other payables	447	90	340	65
Current income tax liabilities	1		2	
Other current tax liabilities	9		8	
Other current liabilities				
	890		794	
Non-current liabilities				
Long-term financial liabilities	1,417	1,417	1,298	1,298
Provisions for risks and charges	192		205	
Provisions for employee benefits	116		116	
Deferred tax liabilities	159		138	
Other non-current liabilities	6		5	
	1,890		1,762	
Liabilities directly associated with assets held for sale	7		6	
TOTAL LIABILITIES	2,787		2,562	
SHAREHOLDERS' EQUITY				
Total Group shareholders' equity	2,724		2,838	
Capital and reserves attributable to minority interests	1		1	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,511		5,400	



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The condensed interim consolidated financial statements at 30 June 2016

Consolidated income statement

(€ million)

	First half 2015		First half 2016	
	Total	of which with related parties	Total	of which with related parties
REVENUE				
Core business revenue	650	509	639	521
Other revenue and income	15	2	14	6
	665		653	
OPERATING COSTS				
Purchases, services and other costs	(192)	(37)	(235)	(37)
Labour and related costs	(93)	8	(98)	7
	(285)		(333)	
EBITDA at current values	380		320	
Amortisation, depreciation and impairment	(132)		(142)	
EBIT	248		178	
FINANCIAL INCOME (EXPENSES)				
Financial income				
Financial expenses	(31)	(25)	(29)	(22)
	(31)		(29)	
INCOME (EXPENSE) ON EQUITY INVESTMENTS				
Equity method valuation effect	11		9	
Other income (expense) from equity investments	(1)			
	10		9	
PRE-TAX PROFIT	227		158	
Income tax paid	(63)		(44)	
NET PROFIT	164		114	
Earnings per share	0.65		0.45	

Consolidated statement of comprehensive income

(€ million)	First half 2015	First half 2016
Net profit	164	114
Other components of comprehensive income		
Components that can be reclassified to the income statement:		
Change in fair value of cash flow hedge derivatives		
Tax effect		
Expense arising from fair-value measurement of hedging derivatives		
Components that cannot be reclassified to the income statement:		
Actuarial gains (losses) remeasurement of defined-benefit plans for employees	2	
Tax effect	(1)	
Total other components of comprehensive income, net of tax effect	1	
Total comprehensive income for the period	165	114


ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Statement of changes in shareholders' equity

	Equity pertaining to shareholders of the parent company							Minority interests	Total shareholders' equity	
	Share capital	Legal reserve	Share premium reserve	Defined-benefit plans for employees reserve net of tax effect	Other reserves	Retained earnings	Net profit for the year			
(€ million)										
Balance at 31 December 2014	252	58	50	(13)	1,040	802	406	2,595	1	2,596
Profit for 2015							340	340		340
Other components of comprehensive income										
Components that can be reclassified to the income statement:										
- portion of equity-accounted investments pertaining to "other components of comprehensive income"										
- change in fair value of cash flow hedge derivatives										
Components that cannot be reclassified to the income statement:										
- actuarial losses on remeasurement of defined-benefit plans for employees										
Total comprehensive income for 2015							2	340	2	342
Transactions with shareholders:										
- allocation of dividend for 2014 (€0.8468 per share)										
- allocation of 2014 residual net profit										
Total transactions with shareholders							192	(406)	(214)	(214)
Other changes in shareholders' equity							(4)	4		
Balance at 31 December 2015	252	58	50	(11)	1,036	998	340	2,723	1	2,724
Net profit for 2016							114	114		114
Other components of comprehensive income										
Components that can be reclassified to the income statement:										
- portion of equity-accounted investments pertaining to "other components of comprehensive income"										
- change in fair value of cash flow hedge derivatives										
Components that cannot be reclassified to the income statement:										
- actuarial losses on remeasurement of defined-benefit plans for employees										
Total comprehensive income for the period										
Total comprehensive income for the period							114	114		114
Transactions with shareholders:										
- allocation of dividend for 2015 (€0.8468 per share)										
- allocation of 2015 residual net profit										
Total transactions with shareholders							340	(340)		(340)
Other changes in shareholders' equity							82	(82)		
Balance at 30 June 2016	252	58	50	(11)	1,118	1,256	114	2,837	1	2,838



Consolidated statement of cash flows

	(€ million)	
	First half 2015	First half 2016
Net profit	164	114
Total amortisation and depreciation	132	142
Impairment losses		
allocation (use) of provision for doubtful debts and impairment in accounts		
Other changes	(11)	(9)
- net equity investments - (capital gains) capital losses from valuation at shareholders' equity	(11)	(9)
Net capital losses capital gains on asset sales, cancellations and eliminations	5	9
Dividends, interest and taxes	92	66
dividends		
interest income		
interest expense	28	22
income taxes	63	44
other changes	1	
Change in working capital due to operating activities	(24)	69
- inventories	(5)	(5)
- trade receivables	140	183
- trade payables	(23)	8
- allocation (use) of provision for risks and charges	(23)	13
- other assets and liabilities (including derivative instruments)	(113)	(130)
Change in provisions for employee benefits	(2)	
Dividends collected, taxes paid, interest paid and received	(93)	(99)
- dividends collected		
- taxes paid	(25)	(77)
- interest paid	(68)	(22)
- interest collected		
NET CASH FLOW FROM OPERATIONS	263	292
Technical investments	(123)	(140)
Investments/divestments in business units and equity investments	(46)	
Change in payables and receivables relating to investments	(13)	(45)
- change in net payables relating to investments	(13)	(45)
Cash flow from investments	(182)	(185)
Disposals		
- third-party equity investments		
Other changes relating to investment activities	1	
- changes relating to divestment activities	1	
Cash flow from divestments	1	
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(181)	(185)
Free cash flow	82	107
- assumption of long-term financial debt	17	
- repaying long-term financial debt	(29)	(7)
- increase (decrease) in short-term financial debt	(114)	(101)
- dividends distributed		
NET CASH FLOW FROM FUNDING ACTIVITIES	(126)	(108)
NET CASH FLOW FOR THE PERIOD	(44)	(1)
Cash and cash equivalents at start of period	47	2
Cash and cash equivalents at end of period	3	1



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION

Italgas (hereinafter the Company) is a limited company, organised according to the laws of the Italian Republic, controlled by Snam S.p.A. which owns 100% of the share capital and is domiciled in Turin at 9 Largo Regio Parco.

The Company operates in the regulated activities of natural gas distribution. These activities are carried out via its integrated infrastructure in Italy.

The Shareholder CDP S.p.A. declared, with effect from the financial statements as at 31 December 2014, that it had control over Snam S.p.A. within the meaning of international accounting standard IFRS 10 - Consolidated Financial Statements. No management and coordination activity has been formalised or exercised.

As at 30 June 2016, CDP S.p.A., via CDP Reti S.p.A.¹ and CDP GAS S.r.l.² owns, respectively 28.98% and 1.12% of the share capital of Snam S.p.A.

The Company is subject to management and coordination by Snam S.p.A.

These condensed interim consolidated financial statements have been prepared in connection with the prospective industrial and corporate restructuring aimed at separating the Snam Group activities relating to gas distribution in Italy from the transportation and dispatching, regasification and storage activities in Italy and abroad and, specifically, for the purposes pursuant to Article 2343 of the Italian Civil Code, with regard to the transfer and purchase by promoters, founders, shareholders and directors of Italgas shares

1) Preparation and evaluation criteria

The condensed interim consolidated financial statements as at 30 June 2016 have been prepared from the perspective of the company as a going concern and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (hereinafter defined as IFRS) as well as the legislative and regulatory provisions in force in Italy.

The condensed interim consolidated financial statements as at 30 June 2016 were prepared in conformity with the provisions laid down by IAS 34 "Interim Financial Reporting". As permitted by this principle, the interim consolidated financial statements do not include all the information required in annual consolidated financial statements.

The schemes used in the preparation of the condensed interim consolidated financial statements are the same as those adopted for the annual report. In the condensed interim consolidated financial statements the same principles and the same evaluation criteria illustrated in the preparation of the Annual financial report are used with the exception of the international accounting principles that came into force from 1 January 2016, illustrated in the Annual financial report in the note "Recently issued accounting principles". The amendments made regard situations that are currently not applicable to the Group.

The notes to the condensed interim consolidated financial statements are in condensed form. Current income taxes are calculated based on taxable income at the reporting date. Tax receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations or those essentially approved at the reporting date and the rates estimated on an annual basis.

¹ CDP S.p.A. holds 59.10%.

² Company wholly owned by CDP S.p.A.



The condensed interim consolidated financial statements as at 30 June 2016, approved by the Board of Directors of Italgas S.p.A. at the meeting of 25 July 2016 are reviewed by EY S.p.A. in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity..

The condensed interim financial statements are presented in euro. Given their size, amounts in the financial statements and respective notes are expressed in millions of euros.

2) Use of estimates

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

3) Cash and cash equivalents

Cash and cash equivalents relate to current account deposits at credit institutions.

The book value of cash and cash equivalents approximates to their fair value. They are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the cash flow statement.

(€ million)

	31.12.2015	30.06.2016	Change	% change
Banks and post office accounts	2	1	(1)	(50.0%)
	2	1	(1)	(50.0%)

4) Trade and other receivables

The breakdown of trade and other receivables is as follows:

(€ million)

	31.12.2015	30.06.2016	Change	% change
Trade receivables	456	273	(183)	(40.1%)
Financial receivables				
Receivables from investment/divestment activities	6	6		
Other receivables	113	194	81	71.7%
	575	473	(102)	(17.7%)

Trade and other receivables are recorded net of the provision for impairment losses:

(€ million)

Provisions for	provisions	uses	Other	Provisions for
----------------	------------	------	-------	----------------


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

	impairment losses at 31.12.2015	changes	impairment losses at 30.06.2016
Trade receivables	21	1	22
Other receivables	1		1
	22	1	23

The fair value of trade and other receivables corresponds to the book value. All receivables are in euros.

Trade receivables, equal to €273 million, fell by €183 million (-40.1%) compared with 31 December 2015 and involve receivables for the gas vectoring service and ancillary services from Eni S.p.A. (€76 million), receivables from third-party customers (€86 million) and receivables from the CSEA relating to the equalisation system³ (€111 million).

The breakdown of the other receivables is detailed below:

(€ million)

	31.12.2015	30.06.2016	Change	% change
Receivables from CSEA	50	116	66	
Receivables from public authorities and administration	20	19	(1)	(5.0%)
Consolidated tax receivables	18	21	3	16.7%
Group VAT receivables	1		(1)	
Other receivables	24	38	14	58.3%
	113	194	81	71.7%

The other receivables, equal to €194 million, an increase of €81 million compared with 31 December 2015, mainly relate to: (i) receivables from the CSEA of €116 million relating to additional components of gas distribution tariffs (UG2⁴ and Bonus Gas⁵); (ii) receivables from public authorities and administrations equal to €19 million relating to the regulation of concession relations; (iii) receivables for national consolidated tax equal to €21 million, relating mainly to receivables from the former parent company Eni for the repayment of IRES resulting from the partial deduction of IRAP for the tax periods from 2004 to 2007 (pursuant to Article 6, Decree Law No. 185 of 28 November 2008, converted into Law No. 2 of 28 January 2009) and for the tax period from 2007 to 2011 (pursuant to Decree Law 201/11).

Receivables from related parties are described in the note "Related-party transactions".

5) Inventories

The inventories break down as follows:

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Warehouse materials	19	24	5	26.3%
Ongoing contract work				
	19	24	5	26.3%

³ The mechanism based on which the differences between what is invoiced to sales companies and the revenue restrictions defined by the Authority are recorded as debits/credits from the CSEA.

⁴ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

⁵ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.



Inventories, worth €24 million, increased by €5 million compared with 31 December 2015 in relation to the gas meter replacement plan.

6) Current income tax assets/liabilities and other current tax assets/liabilities

Current income tax assets/liabilities and other current tax assets/liabilities break down as follows:

(€ million)

	31.12.2015	30.06.2016	Change	% change
Current income tax assets	8	7	(1)	(12.5%)
- IRES	7	7		
- IRAP	1		(1)	
- Other assets				
Other current tax assets	4	4		
- VAT	2		(2)	
- Other taxes	2	4	2	
	12	11	(1)	(8.3%)
Current income tax liabilities	(1)	(2)	(1)	
- IRES	(1)	(2)	(1)	
- IRAP				
- Other assets				
Other current tax liabilities	(9)	(8)	1	(11.1%)
- VAT	(1)	(1)		
- IRPEF withholdings for employees	(7)	(6)	1	(14.3%)
- Other taxes	(1)	(1)		
	(10)	(10)		

Taxes pertaining to the period under review are shown in the note "Income taxes".

7) Other current and non-current assets

The other current and non-current assets break down as follows:

	31.12.2015	30.06.2016	Change	% change
Other current assets	3	6	3	
- Prepayments	1	4	3	
- Security deposits	1	1		
- Other	1	1		
Other non-current assets	5	5		
- Prepayments		1	1	
- Security deposits	2	1	(1)	(50.0%)
- Other	3	3		
	8	11	3	37.5%


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

The other assets (€11 million at 30 June 2016 of which €5 million are non-current) rose by €3 million compared with 31 December 2015 and mainly relate to (i) prepayments (€5 million at 30 June 2016; up €4 million compared with 31 December 2015) and (ii) the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters (€4 million at 30 June 2016 of which €3 million is non-current).

8) Property, plant and equipment

Property, plant and equipment of €226 million (€230 million at 31 December 2015) changed as follows:

(€ million)	
Cost at 31.12.2015	547
Investments	3
Change in scope of consolidation	
Disposals	
Other changes	1
Cost at 30.06.2016	551
Provisions for amortisation and depreciation at 31.12.2015	(313)
Total amortisation and depreciation	(9)
Change in scope of consolidation	
Disposals	
Other changes	1
Provisions for amortisation and depreciation at 30.06.2016	(321)
Provision for impairment losses at 31.12.2015	(4)
(Impairment losses)/reversals	
Provision for impairment losses at 30.06.2016	(4)
Net balance at 31.12.2015	230
Net balance at 30.06.2016	226

Investments recorded in the period, equal to €3 million, relate to external costs directly allocated to balance sheet assets.

There are no constraints or commitments on property investments.

Depreciation and amortisation losses (€9 million) refer to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company.

During the half-year period there were no significant changes in the estimated useful life of assets and the depreciation coefficients applied compared with 31 December 2015.

There were no impairment losses or reversals.

There is no leased property, plant or equipment recorded under tangible assets.



9) Intangible assets

Intangible assets break down as follows:

(€ million)	Finite useful life	Indefinite useful life	Total
Cost at 31.12.2015	7,605	9	7,614
Investments	137		137
Change in scope of consolidation			
Disposals	(18)		(18)
Other changes	(2)		(2)
Cost at 30.06.2016	7,722	9	7,731
Provisions for amortisation and depreciation at 31.12.2015	(3,141)		(3,141)
Total amortisation and depreciation	(133)		(133)
Change in scope of consolidation			
Disposals	10		10
Other changes	(1)		(1)
Provisions for amortisation and depreciation at 30.06.2016	(3,265)		(3,265)
Provision for impairment losses at 31.12.2015	(1)		(1)
Impairment losses			
Provision for impairment losses at 30.06.2016	(1)		(1)
Net balance at 31.12.2015	4,463	9	4,472
Net balance at 30.06.2016	4,456	9	4,465

Intangible assets with a finite useful life (€4,456 million) mainly involve assets relating to service concession agreements (pursuant to IFRIC 12) for natural gas distribution (€4,104 million).

Intangible assets with an indefinite useful life refer exclusively to goodwill (€9 million) measured on the incorporation of Siciliana Gas S.p.A. in 2008, Metano Arcore S.p.A. in the first half of 2015 and the acquisition of the business units for the distribution of gas by To.Sa Costruzione S.r.l. in 2008 and by SEA S.p.A. and CO.M.E.S.T. S.r.l. in 2009 and by Cnea Gestioni S.r.l. in 2010.

The recoverable value, calculated based on the procedure described previously, is higher than the book value of the assets and related goodwill at 30 June 2016. Therefore, based on the results of the impairment test conducted, there have been no impairment losses with regard to the goodwill value recorded in the financial statements.

Investments (€137 million) relate mainly to the construction and upgrading of natural gas distribution infrastructures.

During the half-year period there were no significant changes in the estimated useful life of assets and the depreciation coefficients applied and explained by category within the Evaluation criteria compared with 31 December 2015.

There is no leased property, plant or equipment recorded under intangible assets.

There are no intangible assets with a finite useful life held for sale, or temporarily inactive, or subject to liability constraints and guarantees.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

10) Equity-accounted investments

Equity-accounted investments break down as follows:

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Companies valued at shareholders' equity				
Toscana Energia S.p.A.	167	163	(4)	(2.4%)
Umbria Distribuzione Gas S.p.A.	1	1		
Metano Sant'Angelo Lodigiano S.p.A.	1	1		
Other investments valued at cost				
Inversora del Aconcagua SA				
	169	165	(4)	(2.4%)

The investment owned in the company Inversora del Aconcagua S.A. is recorded net of the provision for impairment losses of €6 million.

During the half-year period no impairment indicators were recorded or significant changes with regard to the valuation of the recoverability of the value recorded in the financial statements for equity-accounted investments.

Consolidated companies, companies jointly controlled with other shareholders, associated companies as well as other significant investments are clearly indicated under "List of investments".

11) Assets held for sale and directly related liabilities

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Non-current assets held for sale	24	24		
Buildings	24	24		
Directly related liabilities	(7)	(6)	1	(14.3%)
Provision for environmental risks and charges	(7)	(6)	1	(14.3%)
	17	18	1	5.9%

Assets held for sale and liabilities directly related to them essentially involve the property complex located in Via Ostiense in Rome for which sales negotiations are on the verge of completion.



12) Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term financial liabilities

Short and long-term financial liabilities, with regard to the parent company Snam S.p.A., break down as follows:

(€ million)

	Short-term financial liabilities	Long-term financial liabilities			Total long-term liabilities	Total financial liabilities
		Short-term portion	Long-term portion maturing in between 1 and 5 years	Long-term portion maturing in more than 5 years		
Balance at 31/12/2015	409	24	729	688	1,441	1,850
Financial liabilities to parent companies	409	24	729	688	1,441	1,850
Balance at 30/06/2016	308	136	1,298		1,434	1,742
Financial liabilities to parent companies	308	136	1,298		1,434	1,742

Short-term financial liabilities, equal to €308 million (-€101 million compared with 31 December 2015) involve used lines of credit in euros with the parent company Snam S.p.A.

There are no short-term financial liabilities denominated in currencies other than the Euro.

The market value of short-term financial liabilities is the same as their book value.

Long-term financial liabilities, including the short-term portion of long-term liabilities, standing at €1,434 million (€1,441 million at 31 December 2015) fell by €7 million compared with 31 December 2015 essentially following the change in interest instalments.

Financial liabilities to parent companies of €1,434 million are shown in the table below.

(€ million)

Lending institution	Currency	Nominal amount	Type of repayment	Residual debt at 30.06.2016	Weighted average interest rate (%)	Maturity
Fixed-rate loans						
Snam S.p.A.	euro	170	On maturity	169	5.000%	18.01.2019
Snam S.p.A.	euro	400	On maturity	400	3.875%	19.03.2018
Snam S.p.A.	euro	120	On maturity	119	2.375%	30.06.2017
Snam S.p.A.	euro	150	On maturity	150	5.250%	19.09.2022
Snam S.p.A.	euro	173	On maturity	172	1.375%	19.11.2023
				1,010		
Floating-rate loans						
Snam S.p.A.	euro	300	Amortized	300	0.80+Euribor 6M	31.10.2033
Snam S.p.A.	euro	124	Amortized	124	0.38+Euribor 6M	22.10.2035
				424		
Total debts for funding				1,434		

There are no other long-term bank loans denominated in currencies other than the euro.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

There are no financial leasing transactions at 30 June 2016.

The Company's medium-/long-term finance agreements do not contain negative pledges or financial covenants.

At 30 June 2016, there were no breaches of loan agreements.

Below are details on net financial debt showing related-party transactions.

(€ million)

	31.12.2015.			30.06.2016		
	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	2		2	1		1
B. Securities available for sale and held to maturity						
C. Cash (A+B)	2		2	1		1
D. Financial receivables not held for operating activities						
E. Short-term financial liabilities to banks						
F. Long-term financial liabilities to banks						
G. Bonds						
H. Short-term financial liabilities to related parties	409		409	308		308
I. Long-term financial liabilities to related parties	24	1,417	1,441	136	1,298	1,434
L. Other short-term financial liabilities						
M. Other long-term financial liabilities						
N. Gross financial debt (E+F+G+H+I+L+M)	433	1,417	1,850	444	1,298	1,742
O. Net financial debt (N-C-D)	431	1,417	1,848	443	1,298	1,741

13) Trade and other payables

Trade and other payables break down as follows:

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Trade payables	133	141	8	6.0%
Payments on account and advances				
Other payables	314	199	(115)	(36.6%)
- relating to investing activities	116	71	(45)	(38.8%)
- other payables	198	128	(70)	(35.4%)
	447	340	(107)	(23.9%)



Other payables break down as follows:

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Payables relating to investing activities	116	71	(45)	(38.8%)
Payables to the Energy and Environmental Services Fund (CSEA)	56	21	(35)	(62.5%)
Payables to the government	42	26	(16)	(38.1%)
Payables to employees	30	25	(5)	(16.7%)
Payables to pension and social security institutions	17	17		
Group consolidated VAT payables	15	4	(11)	(73.3%)
Group consolidated tax payables	13	1	(12)	(92.3%)
Payables to consultants and professionals	5	4	(1)	(20.0%)
Other miscellaneous payables	20	30	10	50.0%
	314	199	(115)	(36.6%)

Trade payables, equal to €141 million, rose by €8 million compared with the previous year, mainly through greater payables due to suppliers.

No particular situations of concentration of trade payables were reported. Lastly, there are no significant situations of unpaid overdue debts.

Other payables amounting to €199 million (€314 million at 31 December 2015) fell by €115 million mainly as the result of lower payables relating to investing activities (-€45 million), lower payables to the CSEA (-€35 million) relating to several ancillary components of tariffs relating to the gas distribution service to be paid to the same fund (RE, RS, UG1 and GS)⁶ and lower payables to the parent company Snam S.p.A. involving the group tax consolidation (-€12 million) and the group VAT settlement (-€11 million).

Payables to related-parties are detailed under "Related-party transactions".

The book value of trade and other payables is close to the relative fair value measurement, given the short period of time between when the payable arises and its due date. For more details surrounding the market value of this category of payables, please refer to the break-downs documented under "Guarantees, commitments and risks".

⁶ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

14) Other current and non-current liabilities

Other current and non-current liabilities break down as follows:

(€ million)	31.12.2015.			30.06.2016		
	Current	Non-current	Total	Current	Non-current	Total
Other liabilities		6	6		5	5
- liabilities for security deposits		5	5		4	4
- liabilities for accruals and deferrals		1	1		1	1
- other						
		6	6		5	5

15) Provisions for risks and charges

Provisions for risk and charges break down as follows:

(€ million)	30.06.2016						
	Opening balance	Provisions	Increases due to passing of time	Utilisations			Final balance
				against charges	for excess	Other changes	
Provision for environmental risks and charges	129	6		(2)		6	139
Provision for litigation	20	5			(2)		23
Risk provision for TEE	3	3		(2)			4
Other provisions for risks and charges	40			(1)			39
- Facilities adaptation risk provision	20						20
- Voluntary redundancy risk provision	5						5
- Personnel risk provision	1						1
- Tax disputes risk provision	1						1
- Meter adjustments risk provision	7						7
- other provisions	6			(1)			5
	192	14		(5)	(2)	6	205

The **provision for environmental risks and charges**, equal to €139 million (€129 million at 31 December 2015), includes future expenses for environmental reclamation, to be applied by Law No. 471/99 and further operations mainly relating to the disposal of waste and removal of asbestos.

The **provision for litigation** (€23 million, compared with €20 million at 31 December 2015) includes costs which the Company has estimated it will incur for existing lawsuits and disputes with personnel.

The **TEE risk provision** of €4 million (€3 million at 31 December 2015) regards expenses connected with reaching the (TEE) energy efficiency targets set by the Authority.



Other provisions for risks and charges (€39 million, compared with €40 million at 31 December 2015) related mainly to:

- expenses for facilities adaptation (€20 million, the same as the amount at 31 December 2015) involving network quality and regulatory standards renewal operations;
- expenses resulting from the memorandum of understanding on adjustments for domestic meters (€7 million, the same amount as at 31 December 2015);
- tax dispute of €1 million (the same amount as at 31 December 2015) created with regard to the tax inspection conducted in 2012 by the Revenue Agency (Piedmont Branch, Audit and Collection Sector, Large Taxpayer Office) relating to the period 2009;
- other provisions for risks and charges of €11 million (€12 million at 31 December 2015) regarding incentive plans, mobility, tax relief and other items relating to personnel (€6 million unchanged compared with the figure at 31 December 2015).

16) Provisions for employee benefits

Provisions for employee benefits break down as follows:

(€ million)				
	31.12.2015.	30.06.2016	Change	% change
Employee severance pay (TFR)	69	69		
Supplemental healthcare provision for company executives of Eni (FISDE)	6	6		
Gas Fund	35	35		
Other employee benefit provisions	6	6		
	116	116		

The **provision for employee severance pay** of €69 million (the same as the amount at 31 December 2015) is governed by Article 2120 of the Italian Civil Code and represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS. Liabilities related to severance pay pre-dating 1 January 2007 remains a defined-benefit plan to be valued using actuarial methods.

The **supplementary healthcare provision for Company executives (FISDE)** of €6 million (unchanged compared with 31 December 2015) includes the estimate of costs (determined on an actuarial basis) related to contributions to be paid to the supplementary healthcare provision benefiting current and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. With regard to the Snam Group, executives appointed before October 2012 are included in the FISDE scheme. Executives appointed after this date are part of a supplementary healthcare fund which is classified as a defined-contribution plan. The Snam Group is also looking into the possibility of identifying a Group-wide supplementary healthcare fund. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) *ad hoc* contributions for specific benefits. The amount of the liability is determined by taking the contribution paid by the Company as a reference, as an approximate estimate of the healthcare costs incurred by the fund.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

The **Gas Fund** (€35 million) relates to the estimate, made on an actuarial basis, of the charges incurred by the employer due to the elimination, as of 1 December 2015, of the Gas Fund pursuant to Law 125 of 6 August 2015. In particular, Articles 9-*decies* 9-*undecies* of the Law set out that the employer must make: (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-*quinqüesdecies* 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. At 31 December 2015, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The **other employee benefit provisions** of €6 million (the same amount at 31 December 2015) relate to seniority bonuses and the deferred cash incentive plan (IMD).

The corresponding obligations are determined using an actuarial valuation method and are discounted using a rate defined on the basis of the yields from bonds issued by leading companies. Revaluations of the liability (net asset) are recognised in full in the income statement.

Deferred cash incentive plans are allocated to executives who have met the goals set out in the year preceding the allocation year, and allocate a basic incentive that is disbursed after three years and varies according to the performance achieved by the Company during the course of the three-year period following the time of the allocation. The benefit is provisioned when the Company's commitment to the employee arises. The estimate is subject to revision in future periods, based on the final accounting and updates to profit forecasts (above or below target).

The long-term incentive plans replaced the preceding stock option allocations involve the payment, three years after being assigned, of a variable cash bonus tied to a measure of company performance. Obtainment of the benefit is linked to the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the “vesting period”). This benefit is allocated *pro rata* over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind. Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are all classified as other long-term benefits pursuant to IAS 19.



17) Deferred tax liabilities

Deferred tax liabilities of €138 million (€159 million at 31 December 2015) are stated net of offsettable prepaid tax assets of €203 million (€201 million at 31 December 2015) and a breakdown is given below.

	30.06.2016						
	Opening balance	Provisions	Utilisation against charges	Utilisation for excess	Change in scope of consolidation	Other changes	Final balance
(€ million)							
Deferred tax liabilities	360		(19)				341
Prepaid tax assets	(201)	(2)					(203)
	159	(2)	(19)				138

The negative change in deferred taxes of €19 million is mainly due to the reabsorption of temporary differences on capital gains made in previous years, on excess amortisation and depreciation in previous years and the reduction in the rate of IRES from 27.5% to 24% introduced by the Stability Law from 1 January 2017.

There are no prepaid tax assets which cannot be offset.

18) Shareholders' equity

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Shareholders' equity attributable to the group	2,723	2,837	114	4.2%
Share capital	252	252		
Legal reserve	58	58		
Share premium reserve	50	50		
Reserve for remeasurement of benefit plans for employees	(11)	(11)		
Other reserves	1,036	1,118	82	7.9%
Retained earnings	998	1,256	258	25.9%
Net profit for the year	340	114	(226)	(66.5%)
Shareholders' equity attributable to third parties	1	1		
Napoletanagas	1	1		
	2,724	2,838	114	4.2%

Dividends

The ordinary Shareholders' Meeting of Italgas S.p.A. resolved on 22 April 2016 to allocate the profit for the year of €274.6 million to retained earnings.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

Share capital

The share capital of the Company comprises 252,263,314 ordinary shares with a nominal value of €1 each, fully paid-up and wholly-owned by Snam S.p.A.

Legal reserve

This stands at €58 million and did not change in the three-year period.

Share premium reserve

The share premium reserve, equal to €50 million, did not change in the three-year period. Note that the portion of the share premium reserve of €48 million is bound, based on the shareholders' resolutions of 12 May 1990, 30 June 1994 and 30 April 1997, to the total reconstruction (pursuant to Article 172 of Presidential Decree No. 917/86) of the Deferred tax reserves, according to the regulation in force at the time Article 55 of Presidential Decree No. 917/86, in the Financial Statements at 31 December 1988 of the incorporated company Alma-Gas S.r.l., in the Financial Statements at 31 December 1993 of the incorporated company Metano Città S.p.A. and Italgas Sud S.p.A. and in the Financial Statements at 31 December 1996 of the incorporated company Veneziana Gas S.p.A.. The above portion is subject to taxation if used for purposes other than to cover losses. A further portion of the share premium reserve of €2 million is bound according to Article 14, paragraph 2 of Law No. 342/00.

Reserve for remeasurement of benefit plans for employees

The reserve for remeasurement of benefit plans for employees, equal to -€11 million at 31 December 2015, was established following the changes to international accounting principle IAS 19 "Employee benefits" which came into force on 1 January 2013. This reserve measures unrecognised actuarial gains and losses recorded in other components of total profit, net of tax.

The changes in the reserve during the course of the half-year are shown below:

(€ million)	Gross amount	Tax effect	Net value
Reserve at 31 December 2014	(18)	5	(13)
Changes in 2015	3	(1)	2
Reserve at 31 December 2015	(15)	4	(11)
Changes in 2016			
Reserve at 30 June 2016	(15)	4	(11)

Other reserves

Other reserves, equal to €1,118 million at 30 June 2016 (€1,036 million at 31 December 2015) involve the capital reserves of Italgas S.p.A.



19) Guarantees, commitments and risks

(€ million)

	31.12.2015.	30.06.2016	Change	% change
Guarantees	101	100	(1)	(1.0%)
Loans on its own behalf	101	100	(1)	(1.0%)
Commitments	499	729	230	46.1%
Commitments for the purchase of goods and services	496	726	230	46.4%
Other	3	3		
Risks	49	48	(1)	(2.0%)
Risks for litigation	49	48	(1)	(2.0%)
	649	877	228	35.1%

Guarantees of €100 million (down by €1 million compared with 31 December 2015) refer mainly to waivers in favour of Snam S.p.A. against sureties issued in the interest of Italgas, mainly to guarantee satisfactory execution of the works and with regard to investments in tenders and contracts for natural gas distribution.

Commitments of €729 million (up €230 million compared with 31 December 2015) relate to contracts with suppliers for the purchase of tangible assets and the provision of services relating to investments in tangible assets under construction, as well as for rental to third-parties for lease agreements for company premises.

Risks of €48 million (-€1 million compared with 31 December 2015) relate to compensation claims made by third parties as a result of ongoing legal disputes, with a low probability of occurrence of the related economic risk. It is believed that the probable outcome of the litigation and other disputes with regard to which provision has been made in the risk funds will not have a significant effect.

MANAGEMENT OF FINANCIAL AND LIQUIDITY RISKS

Introduction

The Snam Group has always been familiar with and managed the risks relating to its business activities. Through its Enterprise Risk Management (ERM) and the new Risk Management Policy issued in 2015, it has worked to strengthen this area, introducing a structured method for identifying, evaluating, managing and monitoring risks, which is standardised for all Group companies. The ERM model, which is managed by a dedicated corporate department, is an iterative one that enables dynamic and integrated group-wide risk assessment that brings out the best of the existing management systems in individual corporate processes.

The main risks identified and managed are as follows:

- financial and liquidity risks, resulting from the lack of financial resources to deal with commitments in the short-term, from exposure to interest rate fluctuations and the exposure of the Company to potential losses on loans resulting from failure of counter-parties to comply with obligations;
- legal disputes.

There follows a description of the policies and principles for the management and control of the risks arising from the financial instruments listed above. The nature and scale of these risks are also described, in accordance with disclosure rules pursuant to IFRS 7.

**ITALGAS***The condensed interim consolidated financial statements at 30 June 2016*

Interest rate risk

Fluctuations in interest rates affect the market value of Snam's financial assets and liabilities and its net financial expense. The goal is to optimise interest rate risk while pursuing the financial structure objectives defined and approved in corporate plans.

There are only financial relations with the parent company Snam S.p.A. which carries out financial activities on behalf of Group companies, by means of an agreement based on which it covers the financial requirements and use of cash.

At 30 June 2016, the Snam Group used external financial resources in the form of bilateral and syndicated loans with banks and other financial institutions, in the form of medium- and long-term loans and bank credit lines at interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), and bonds, mainly fixed-rate, placed as part of the Euro Medium Term Notes (EMTN) programme.

Credit risk

Credit risk is the Company's exposure to potential losses arising from counter-parties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial position and results of Italgas.

For the risk of non-compliance by the counter-party concerning contracts of a commercial nature, the credit management for activities connected with credit monitoring, the management of active guarantees, credit recovery and any possible disputes is handled by the business units and the centralised Snam departments

The Italgas Group provides distribution services for 269 sales companies, the most important of which is Eni S.p.A.

The rules for user access to the gas distribution service are regulated by the Network Code, which in conformity with the provisions established by the Authority regulates the rights and obligations of the parties involved in the provision of the distribution service, as well as the contractual clauses which reduce the risk of non-compliance by sales companies.

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern. Italgas' objective is to have a financial structure (in terms of ratios between debt and Regulatory Asset Base (RAB), between short-term and medium-/long-term debt and fixed-/floating-rate debt), which ensures an adequate level of liquidity, minimising the related opportunity cost and maintaining a balance between the term and composition of its debt in line with business objectives.

To date, Italgas has funded itself entirely through loans from the parent company Snam S.p.A. which carries out financial activities on behalf of Group companies, by means of an agreement based on which it covers the financial requirements and use of cash of the Company.

Default risk and restrictive debt clauses

Default risk in loan agreements exists if the loan contracts concluded contain provisions that enable the lender to activate contractual protections, which could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk. At 30 June 2016 the Company only has loan agreements with the parent company Snam.



These agreements contain, *inter alia*, change of control clauses which include the obligation of Italgas to repay the entire amount of the loan early if Snam loses control of Italgas.

In addition, for some of these there are early repayment obligations if events established in the contracts concluded by Snam occur causing the obligation for early repayment. At 30 June 2016 all the contractual restrictive clauses have been complied with.

Other information on financial instruments

In relation to the categories mentioned in IAS 39, the Company has no financial assets held to maturity, available for sale or held for trading. As a result, the financial assets and liabilities all fall within the classification of financial instruments measured at amortised cost.

Litigation

(i) Barletta event

On 25 April 2015, an explosion occurred due to a gas leak, killing one Italgas worker and injuring others, during an operation following a report of damage to the gas network by a third party resulting in leakage of gas. The competent public prosecutor has launched an investigation, with which the company is actively cooperating.

(ii) Rome/Via Parlatore event

The public prosecutor at the Court of Rome opened an investigation in relation to the incident that took place on 7 September 2015 regarding an ordinary intervention in the gas distribution network in the municipality of Rome.

The incident, which took place due to causes that are still being investigated, caused a fire that involved three people. Two of them, workers for an Italgas contractor, suffered mild injuries. The third person – an Italgas employee – died after a few weeks despite medical treatment.

The investigation is ongoing and several Italgas managers are involved.

Italgas is actively cooperating with the relevant authorities.

(iii) Cerro Maggiore/Via Risorgimento event

The public prosecutor at the Court of Busto Arsizio launched criminal proceedings against Italgas executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The incident was caused by a gas leak due to remote controlled horizontal drilling work for the placement of fibre-optic cables performed by a third party.

The explosion occurred while interception activities were being completed on the section involved in the damage, causing the collapse of a house at No. 39 and the death of the woman who lives there, a serious injury to an Italgas worker and to two other people who suffered mild injuries. The area was closed off. On 15 November 2015 the Busto Arsizio public prosecutor served a one-time notice of technical investigation, and the public prosecutor appointed its own technical consultants. Italgas also appointed its own technical consultants.

The Company is actively cooperating with the relevant authorities.

(iv) Gas distribution service quality violations

Through resolution 33/2012/S/gas of 9 February 2012, the Authority arranged the launch of four disciplinary proceedings for the issuance of monetary fines with regard to gas distribution service quality to establish the violation of Articles 2, paragraphs 1 and 12, paragraph 7, letter b) of the ARG/gas 120/08 resolution by four natural gas distribution companies including Italgas S.p.A.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

In particular, the Authority reported that, with regard to its Venice plant, the company failed to comply with the obligation to recondition or replace, by 31 December 2010, at least 50% of the cast-iron pipes with fittings of hemp and lead in operation as at 31 December 2003, set out in the aforementioned Article 12, paragraph 7.b).

The offices of the Authority notified the results of the preliminary investigation in a letter sent dated 25 March 2016. The final decision is awaited.

(v) Gas distribution service violations relating to the billing of the “municipal fees” tariff component

By means of Resolution 104/2015/S/gas of 12 March 2015, the Authority began enforcement proceedings for violations relating to the billing of the “COLci” component.

The Authority specifically alleges that the billing procedures for this component stipulated under current regulations have not been complied with. The duration of the investigation has been set at 180 days, while the deadline for the adoption of the provision is 90 days from the closing date of the investigation.

On 23 April 2015, the Authority requested the transmission of billing data for the COLci tariff component for the years 2009-2013, which the company provided on 7 May 2015. To date, the preliminary investigation has not been concluded.

(vi) Tax disputes

The 2009 general tax audit performed by officials of the Revenue Agency (Piedmont branch, Audit and Collection Sector, Large Taxpayer Office), which ended on 7 December 2012 with the release of the official audit report, resulted in around €1 million of additional IRES, IRAP and VAT, plus penalties and interest.

The proceedings closed with a negative result, and the Company, in consortium with Eni S.p.A. for the notice concerning IRES, brought an appeal before the provincial tax commission of Turin on 28 May 2015, thus contesting only the findings relating to the undue payment of taxes on foreign regularisations and other unrelated taxes.

The Company, corresponding to the payments made, used a total of €777,204.78 from the risk provision fund.

On 23 June 2016, the Turin Provincial Commission accepted Italgas' appeal made in May 2015. It was not deemed appropriate to make changes to the risk provision because the ruling cannot yet be considered definitive.

Withdrawal of judicial administration and confirmation of the Company's Board of Directors

On 9 July 2015, the activities related to the withdrawal of the judicial administration ordered by the Court of Palermo with regard to Italgas were concluded.

The Court, taking into account the outcome of the investigations conducted and the proactive collaboration provided by the Snam Group, ordered the Company's restitution with a provision of 29 June 2015.

Having noted the withdrawal, Italgas' Shareholders' Meeting, which took place on 9 July 2015, appointed the Company's Board of Directors, which will expire when the financial statements for the year ended 31 December 2015 are approved, confirming all outgoing members.

Following the withdrawal of the judicial administration ordered by the Court of Palermo and the confirmation of the Board of Directors by the Shareholders' Meeting, Italgas is establishing implementing measures for the organisational and procedural plan as well as monitoring and checking on the Company's activities. Italgas is also providing the information flows required by Article 34, paragraph 8 of Legislative Decree 159/2011 (Judicial Control) for the competent authorities with regard to significant transactions; Italgas appealed against the provision of these information flows with the Palermo Court of Appeal.

Italgas also informs the competent authorities of the results of the periodic reports of the Watch Structure.



On 25 July 2016 the Court of Appeal issued a Decree revoking "Judicial Control" with regard to Italgas, declaring the implementation of the consequent provisions terminated.

20) Revenue

The breakdown of revenue for the period is given in the table below:

(€ million)

	First half 2015	First half 2016	Change	% change
Core business revenue	650	639	(11)	(1.7%)
Other revenue and income	15	14	(1)	(6.7%)
	665	653	(12)	(1.8%)

All of the revenue is generated in Italy.

The breakdown of core business revenue is given below:

(€ million)

	First half 2015	First half 2016	Change	% change
Natural gas distribution	509	485	(24)	(4.7%)
Revenue for construction and infrastructure improvements (IFRIC 12)	122	137	15	12.3%
Technical assistance, engineering, I.T. and various services	16	14	(2)	(12.5%)
Distribution and sale of water	2	2		
Heating management on a contract basis	1	1		
	650	639	(11)	(1.7%)

Core business revenue is reported net of the following items involving tariff components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received from/paid by Italgas are paid/collected in full to the Energy and Environmental Services Fund (CSEA).

These components involve: (i) RE, to cover expenses for calculating and implementing energy savings and development of renewable energy sources in the gas sector; (ii) RS, to cover gas services quality; (iii) UG1, to cover any imbalances in the equalisation system and any adjustments; (iv) GS to cover the tariff compensation system for economically disadvantaged customers; (v) Bonus gas relating to the requests for subsidies for natural gas provision for economically disadvantaged customers; (vi) UG2, to offset retail sales marketing costs; (vii) UG3int, to cover expenses related to interruptions to the service; (viii) UG3ui, to cover expenses related to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider, as well as any arrears expenses incurred by Suppliers of Last Instance, exclusively for end customers whose supplies cannot be suspended; (ix) UG3ft, to cover expenses relating to the service for temporary providers on the transportation network.

Core business revenue, equal to €639 million (-1.7% compared with the previous year) fell by €11 million mainly due to: (i) less revenue from the natural gas distribution service (-€24 million) due to the reduction of net invested capital remuneration paid for regulatory purposes⁷ (-€23 million), failure by the Authority to pay

⁷ CIN remuneration paid for regulatory purposes (pre-tax WACC) for Distribution 6.1% compared with 6.9% for 2015, for metering 6.6% compared with 7.2% for 2015.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

the incentive for investments to replace the cast iron piping for previous years (-€6 million) offset by the different time scope of consolidation of Acam Gas (+€4 million); (ii) more revenue for infrastructure construction and improvements (IFRIC 12) (+€15 million).

Revenue for gas distribution refers to the transportation of natural gas on behalf of all commercial operators requiring access to the Company's networks based on the Network Code; the most significant annual volumes transported were in relation to the activities carried out for Eni S.p.A. This revenue was calculated based on Authority resolutions 367/2014/R/gas, 147/2015/R/gas and 173/2016/R/gas.

Other revenue and income

Other revenue and income, equal to €14 million, break down as follows:

(€ million)				
	First half 2015	First half 2016	Change	% change
Repayments from third-parties and insurance claims	6	6		
Income from property investments	4	4		
Income from Energy Efficiency Certificates	1	1		
Other revenue and income	4	3	(1)	(25.0%)
	15	14	(1)	(6.7%)

21) Operating costs

The breakdown of operating costs is given in the table below:

(€ million)				
	First half 2015	First half 2016	Change	% change
Purchases, services and other costs	192	235	43	22.4%
Personnel cost	93	98	5	5.4%
	285	333	48	16.8%

Operating costs connected with the construction and upgrading of natural gas infrastructures associated with concession agreements pursuant to the provisions of IFRIC 12 break down as follows:

(€ million)				
	First half 2015	First half 2016	Change	% change
Purchase costs for raw materials, consumables, supplies and goods	24	26	2	8.3%
Costs for services	63	70	7	11.1%
Costs for the use of third-party assets	3	4	1	33.3%
Other expenses		1	1	
Personnel cost	32	36	4	12.5%
	122	137	15	12.3%



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Purchases, services and other costs

The item “purchases, services and other costs” breaks down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Purchase costs for raw materials, consumables, supplies and goods	39	41	2	5.1%
Costs for services	128	134	6	4.7%
Costs for the use of third-party assets	35	34	(1)	(2.9%)
Changes in raw materials, consumables, supplies and goods	(4)	(5)	(1)	25.0%
Net accrual to provisions for risks and charges	(18)	12	30	
Net allocations to the provision for impairment losses on receivables		1	1	
Other expenses	13	19	6	46.2%
Less:				
Increase on internal work				
- of which costs for services	(1)	(1)		
	192	235	43	22.4%

Costs for raw materials, consumables, supplies and goods break down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Purchase of materials	37	39	2	5.4%
Purchase of water	1	1		
Motive power	1	1		
	39	41	2	5.1%

Costs for the purchase of materials increased by €2 million mainly following greater purchases of gas meters and piping.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016
Costs for services involve:

(€ million)

	First half 2015	First half 2016	Change 2015 vs 2014	% change 2015 vs 2014
Works management and facilities maintenance projects	63	66	3	4.8%
General services	27	28	1	3.7%
Consultancy and professional services	10	12	2	20.0%
Costs for IT services	6	5	(1)	(16.7%)
Costs for services relating to personnel	5	6	1	20.0%
Telecommunications services	3	4	1	33.3%
Other sales costs	4	4		
Electricity, water and other services (utility)	3	3		
Insurance	3	3		
Cleaning, supervisory and caretaking services	2	2		
Advertising, promotion and representation				
Miscellaneous services	3	3		
Use of risk provision	(1)	(2)	(1)	
Less				
- increase on internal work	(1)	(1)		
	127	133	6	4.7%

Costs for services of €133 million (an increase of €6 million compared with the first half of 2015) include costs relating to the construction and upgrading of gas distribution infrastructures (€70 million in 2016 and €63 million in 2015) recorded when IFRIC 12 came into force on 1 January 2010.

Costs for the use of third-party assets refer to:

(€ million)

	First half 2015	First half 2016	Change	% change
Fees for patents, licences and concessions	30	30		
Leases and rentals	5	4	(1)	(20.0%)
	35	34	(1)	(2.9%)

Costs for the use of third-party assets of €34 million (€35 million in the first half of 2015) include costs relating to the construction and upgrading of gas distribution infrastructures (€4 million in 2016 and €3 million in 2015) recorded when IFRIC 12 came into force on 1 January 2010.

Fees for patents, licences and concessions mainly involve fees paid to the granting authorities for the gas distribution service.



Other costs break down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Capital losses from divestment of fixed assets	5	9	4	80.0%
Indirect taxes, levies and local duties	6	5	(1)	(16.7%)
TEE expenses		4	4	
Expenses for transactions, claims and fines	1	1		
Membership contributions	1	1		
Use of risk provision	(5)	(2)	3	(60.0%)
Other expenses	5	1	(4)	(80.0%)
	13	19	6	46.2%

Other expenses of €19 million (€13 million in the first half of 2015) mainly involve capital losses from the sale of fixed assets for €9 million (+€4 million compared with the first half of 2015) relating essentially to the replacement of meters and indirect and local taxes of €5 million (-€1 million compared with 2015).

Net allocations to provision for risks and charges of €12 million (+€30 million compared with the first half of 2015) refer to the probable expenses resulting from legal, tax and contractual disputes or to future expenses for environmental operations, personnel policies, etc. and are recorded net of related uses.

Information on provisions for risks and charges can be found in the previous paragraph "Provisions for risks and charges".

Allocations to the provision for impairment losses on receivables were made based on risk assessments of failure to collect receivables recorded at the end of the reference year. They are recorded net of uses whose value is highlighted in the corresponding item in the reclassified statement of financial position.

Personnel cost

Personnel cost breaks down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Wages and salaries	74	78	4	5.4%
Social security costs	24	24		
Employee benefits	5	5		
Costs of seconded personnel	1	2	1	
Income from seconded personnel	(9)	(9)		
Other costs	1		(1)	
Less				
Increase on internal work	(3)	(2)	1	(33.3%)
	93	98	5	5.4%


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

The item includes costs relating to the construction and upgrading of gas distribution infrastructures (€36 million in the first half of 2016 and €32 million in the first half of 2015) recorded when IFRIC 12 came into force on 1 January 2010.

Personnel cost includes the retribution paid to personnel, deferred retribution, allocations for severance pay, holidays accrued and not taken, personnel ancillary costs, social security payments made by the Company, in accordance with employment contracts and existing laws.

Average number of employees

The average number of employees, broken down by professional status is given in the table below:

	Average tenure		Average service	
	First half 2015	First half 2016	First half 2015	First half 2016
Executives	26	30	26	31
Managers	197	214	156	185
Office workers	1,802	1,890	1,605	1,711
Manual workers	1,383	1,396	1,379	1,393
	3,408	3,530	3,166	3,320

The average number of employees is calculated on the basis of the monthly number of employees for each category. "Tenured employees" refers to employees registered in the Single Employment Ledger; "workforce employees" refers to the above-mentioned tenured employees excluding employees given to/received from other companies.

22) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment of €142 million (€132 million in the first half of 2015) break down as illustrated below:

<i>(€ million)</i>				
	First half 2015	First half 2016	Change	% change
Intangible assets	124	133	9	7.3%
Property, plant and equipment	8	9	1	12.5%
	132	142	10	7.6%



23) Financial income (expenses)

Financial income (expenses) of €29 million (€31 million in the first half of 2015) break down as illustrated below:

(€ million)

	First half 2015	First half 2016	Change	% change
Financial expenses	25	22	(3)	(12.0%)
Other financial expense	6	7	1	16.7%
	31	29	(2)	(6.5%)

Financial expenses refer to interest liabilities to the parent company Snam S.p.A.

In detail, the financial income and expenses break down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Financial expense related to net financial debt	25	22	(3)	(12.0%)
Interest liabilities on loans from Snam S.p.A.	25	22	(3)	(12.0%)
Other financial expense (income)	6	7	1	16.7%
Financial expense (income) associated with the transfer fund estimate	2	6	4	
Other expenses	4	1	(3)	(75.0%)
	31	29	(2)	(6.5%)

The change compared with the first half of 2015 of -€2 million mainly relates to the reduction in interest liabilities related to the net financial debt (-€3 million). For more details refer to the breakdowns given in "Short-term financial liabilities, long-term financial liabilities and short-term portion of long-term financial liabilities".

The increase in net financial expense connected to the transfer fund estimate (+€4 million) is essentially due to the reduction in discounting rates.

There are no derivative financial instruments.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016

24) Income and expense from equity investments

The income (expense) from equity investments breaks down as illustrated below:

(€ million)

	First half 2015	First half 2016	Change	% change
Equity method valuation effect	11	9	(2)	(18.2%)
Capital gains from valuation using the equity method	11	9	(2)	(18.2%)
Other income (expenses) from equity investments	(1)		1	
Other net expenses from equity investments	(1)		1	
	10	9		

Details of capital gains and capital losses from the measurement of equity investments using the equity method can be found in the note "Equity-accounted investments".

25) Income taxes

Income taxes break down as follows:

(€ million)

	First half 2015	First half 2016	Change	% change
Current taxes	76	65	(11)	(14.5%)
Deferred and prepaid taxes	(13)	(21)	(8)	61.5%
Deferred taxes	(17)	(19)	(2)	11.8%
Prepaid taxes	4	(2)	(6)	
	63	44	(19)	(30.2%)

Income taxes (€44 million) fell by €19 million, equal to -30.2% compared with the first half of 2015, essentially through the effect of the decrease in pre-tax profit.

The tax rate was 27.8%, unchanged compared with the first half of 2015.

26) Earnings per share

The earnings per simple share, equal to €0.45 per share (€0.65 in the first half of 2015) are calculated by dividing the net attributable profit (€114 million in 2016 and €164 million in 2015) by the number of Italgas shares.

27) Related-party transactions

Considering the de facto control of CDP S.p.A. over the parent company Snam S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, based on the current Group ownership structure the related parties are represented by the direct parent company Snam, the indirect parent company CDP S.p.A. and its subsidiaries, associates and joint ventures, as well as (direct or indirect) subsidiaries, associates and joint ventures of the Ministry of Economy and Finance. Members of the Board of Directors, Statutory Auditors and Snam Group managers with strategic responsibilities, and their families, are also regarded as related parties.

Transactions with related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the Company.



The Company is subject to management and coordination pursuant to Article 2497 *et seq.* of the Italian Civil Code by the parent company Snam S.p.A. The transactions carried out by the Company with related parties essentially involve the trading of goods, the provision of services, the supply and use of financial means with the entities defined above.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the 2014 and 2015 financial years. The nature of the most significant transactions is also stated.

Commercial and other transactions

Commercial and other transactions are broken down in the table below:

	30.06.2015			First half of 2015					
	Receivables	Payables	Guarantees and commitments	Costs			Revenue		
Goods				Services	Other	Goods	Services	Other	
(€ million)									
Parent Companies:									
Snam S.p.A.	5	29		4	30	(8)			1
Companies controlled by Snam S.p.A.									
Snam Rete Gas S.p.A.	1	1			2				
Gasrule Insurance Ltd		2			1				
Unconsolidated subsidiaries, associates and joint ventures									
Toscana Energia S.p.A.	2								1
Umbria Distribuzione Gas S.p.A.	1								
Companies owned or controlled by the State									
Eni group	77	35		5	2				454
Anas group									
Enel group	8	1							54
Other companies		1							
	94	69		9	35	(8)			509
									2

	30.06.2016			First half of 2016					
	Receivables	Payables	Guarantees and commitments	Costs			Revenue		
Goods				Services	Other	Goods	Services	Other	
(€ million)									
Parent Companies:									
Snam S.p.A.	10	26		3	29	(6)			1
Companies controlled by Snam S.p.A.									
Snam Rete Gas S.p.A.	1	1			1				
Gasrule Insurance Ltd	1	1			1				
Unconsolidated subsidiaries, associates and joint ventures									
Toscana Energia S.p.A.	15								1
Umbria Distribuzione Gas S.p.A.	1								
Companies owned or controlled by the State									
Eni group	95	35		4	2	1			451
Anas group									
Enel group	12	2							69
Other companies									
	135	65		7	33	(5)			521
									6



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Relations with the parent company Snam

The main passive commercial transactions refer to the services provided centrally by the parent company Snam S.p.A. (ICT, personnel and organisation, planning, finance and control, legal affairs, company secretary office, general services, property and security, enterprise risk management, institutional relations and communication, HSEQ, regulations and internal audit), whose pricing model is based on recharging the costs incurred for the provision of services in accordance with a full cost logic, to the provision of services of an I.T. nature, development of infrastructures and loans of personnel.

The main commercial relations in existence involve personnel loans and leasing of properties.

Relations with subsidiaries and associates of Snam S.p.A.

Passive relations of a commercial nature involve the provision of technical services (relating to metering and cathodic protection), project control, procurement and investments by Snam Rete Gas S.p.A. With Gasrule Insurance Ltd relations of a commercial nature involve insurance services.

Relations with unconsolidated subsidiaries, associates and joint ventures

The main commercial relations that took place specifically involved provisions of an I.T. nature to Toscana Energia S.p.A.

The main passive relations that took place refer to relations of a commercial nature with Toscana Energia S.p.A.

Relations with companies owned or controlled by the State

The main active commercial relations refer to:

- natural gas distribution and loans of personnel involving Eni S.p.A.;
- property management services and loans of personnel involving Eni S.p.A.;
- natural gas distribution involving Enel Energia S.p.A.

The main passive relations involve:

- the supply of electricity and methane gas for internal consumption by Eni S.p.A.;
- services relating to the management of canteens by Eni Servizi S.p.A.



Financial transactions

Relations of a financial nature take place with Snam S.p.A. and involve the hedging of financial requirements and the use of liquidity through a cash-flow agreement to deal with current financial requirements and through medium-/long-term loan agreements.

	30.06.2015			First half 2015	
	Receivables	Payables	Guarantees and commitments	Income	Expense
(€ million)					
Parent Companies:					
Snam S.p.A.		1,693			25
		1,693			25

	30.06.2016			First half 2016	
	Receivables	Payables	Guarantees and commitments	Income	Expense
(€ million)					
Parent Companies:					
Snam S.p.A.		1,742			22
		1,742			22

28) Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during 2013, 2014 and 2015.

29) List of equity investments

Below are the lists of directly and indirectly controlled subsidiaries and associates of Italgas S.p.A. at 31/12/2008 as well as the other significant equity investments pursuant to Article 126 of Consob Resolution No. 11971 of 14 May 1999 and later amendments.

The following information is given for each company: name, registered office, share capital, shareholders and respective ownership percentages; for consolidated companies the consolidated percentage pertaining to Italgas S.p.A. is given; for non-consolidated companies or subsidiaries of consolidated companies, the evaluation criterion is given (equity or cost).

CONSOLIDATING COMPANY

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Italgas S.p.A.	Turin	euro	252,263,314	Snam S.p.A.	100%	100%	Consolidated



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

SUBSIDIARIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
ACAM Gas S.p.A.	La Spezia	euro	68,090,000	Italgas S.p.A.	100%	100%	Consolidated
Napoletanagas S.p.A.	Naples	euro	15,400,000	Italgas S.p.A. Minority shareholders	99.69% 0.31%	99.69%	Consolidated

ASSOCIATE COMPANIES AND JOINT VENTURES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Toscana Energia S.p.A.	Florence	euro	146,214,387	Italgas S.p.A. Minority shareholders	48.08% 51.92%	48.08%	Shareholders' equity
Umbria Distribuzione Gas S.p.A.	Terni	euro	2,120,000	Italgas S.p.A. Minority shareholders	45.00% 55.00%	45.00%	Shareholders' equity
Metano Sant'Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	euro	200,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	50.00%	Shareholders' equity
Toscana Energia S.p.A.	Pistoia	euro	6,330,804	Toscana Energia S.p.A.	100%		
Toscogen S.p.A. (in liquidation)	Pisa	euro	2,582,284	Toscana Energia S.p.A. Minority shareholders	56.67% 43.33%		

OTHER COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% Minority interest consolidation	Consolidation method or evaluation criterion
Agenzia Napoletana per l'Energia e per l'Ambiente	Naples	euro	418,330	Napoletanagas S.p.A. Minority shareholders	12.96% 87.04%		Valuation at cost



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

ANNEXES

Main data for Italgas S.p.A.⁸

⁸ The data for 2016 also include the figures for AES Torino incorporated with effect from 1 January 2016.


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016
Key financial figures

	(€ million)			
	First half-year		Change	% change
	2015	2016		
Revenue	549	576	27	4.9
- of which from regulated activities	534	562	28	5.2
Operating costs	(230)	(289)	(59)	25.7
EBIT	209	154	(55)	(26.3)
Net profit	128	138	10	7.8
Investments (gross of contributions)	110	130	20	18.2

	(€ million)		
	31.12.2015	30.06.2016	Change
	Property, plant and equipment and intangible assets	4,163	4,429
Net invested capital	4,076	4,248	172
Shareholders' equity	2,424	2,644	220
Net financial debt	1,652	1,604	(48)

Key operating figures

	(€ million)			
	First half-year		Change	% change
	2015	2016		
Concessions	1,309	1,310	1	0.1
Concessions in year	1,237	1,247	10	0.8
Active redelivery points	5,197,347	5,672,850	475,503	9.1
Distribution network (km)	48,613	50,168	1,555	3.2
Gas transportation (millions of cubic metres)	3,806	3,909	103	2.7
Employees in service	2,495	2,794	299	12.0



ITALGAS

The condensed interim consolidated financial statements at 30 June 2016

Statement of financial position for Italgas S.p.A.

	31.12.2015		30.06.2016	
	Total	of which with related parties	Total	of which with related parties
ASSETS				
Current assets				
Cash and cash equivalents	1			
Other financial assets held for trading or available for sale				
Trade and other receivables	477	134	406	118
Inventories	16		22	
Current income tax assets	6		5	
Other current tax assets	2		3	
Other current assets	2	1	4	1
	504		440	
Non-current assets				
Property, plant and equipment	187		203	
Property investments				
Intangible assets	3,976		4,226	
Equity investments				
- subsidiaries	304		194	
- associates				
- joint ventures	155		155	
- other equity investments				
Prepaid tax assets				
Other non-current assets	5	1	5	1
	4,627		4,783	
Non-current assets held for sale and assets of disposal groups held for sale	25		25	
TOTAL ASSETS	5,156		5,248	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term financial liabilities	211	211	170	170
Short-term portion of long-term financial liabilities	25	25	136	136
Trade and other payables	367	76	282	58
Current income tax liabilities	1		1	
Other current tax liabilities	6		6	
Other current liabilities				
	610		595	
Non-current liabilities				
Long-term financial liabilities	1,417	1,417	1,298	1,298
Provisions for risks and charges	164		178	
Provisions for employee benefits	92		97	
Deferred tax liabilities	148		131	
Other non-current liabilities	294		298	
	2,115		2,002	
Liabilities of disposal groups held for sale	7		7	
TOTAL LIABILITIES	2,732		2,604	
SHAREHOLDERS' EQUITY	2,424		2,644	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,156		5,248	


ITALGAS
The condensed interim consolidated financial statements at 30 June 2016
Income statement for Italgas S.p.A.

(€ million)

	30.06.2015		30.06.2016	
	Total	of which with related parties	Total	of which with related parties
REVENUE				
Core business revenue	533	450	560	480
Other revenue and income	16	2	16	6
Total income	549		576	
OPERATING COSTS				
Purchases, services and other costs	(155)	(31)	(206)	(33)
Labour and related costs	(75)	5	(83)	4
Total operating costs	(230)		(289)	
EBITDA at current values	319		287	
Amortisation, depreciation and impairment	(110)		(133)	
EBIT	209		154	
FINANCIAL INCOME (EXPENSES)				
Financial income				
Financial expenses	(29)	(23)	(29)	(22)
	(29)		(29)	
INCOME (EXPENSE) ON EQUITY INVESTMENTS				
Income from equity investments			50	50
Expense from equity investments				
			50	
PRE-TAX PROFIT	180		175	
Income tax paid	(52)		(37)	
NET PROFIT	128		138	



Statement of cash flows for Italgas S.p.A.

(€ million)

	30.06.2015	30.06.2016
Net profit	128	138
Total amortisation and depreciation	110	133
Impairment losses		
Other changes		
Net capital losses/gains on asset sales, cancellations and eliminations	4	8
Dividends, interest and taxes	75	16
dividends		(50)
interest income		
interest expense	23	29
income tax paid	52	37
Change in working capital due to operating activities	(27)	58
- inventories	(3)	(5)
- trade receivables	116	177
- trade payables	(7)	4
- allocation (use) of provision for risks and charges	(20)	13
- other assets and liabilities (including derivative instruments)	(113)	(131)
Change in provisions for employee benefits	(3)	1
Dividends collected, taxes paid, interest paid and received	(75)	(54)
- dividends collected		36
- taxes paid		(68)
- interest paid	(23)	(22)
- interest collected	(52)	
NET CASH FLOW FROM OPERATIONS	212	300
Technical investments	(108)	(119)
Investments/divestments in business units	(46)	
Change in payables and receivables relating to investments	(9)	(39)
- change in net payables for investments	(9)	(39)
Cash flow from investments	(163)	(158)
Disposals	1	
- tangible and intangible fixed assets	1	
Other changes relating to investment activities		1
- changes relating to divestment activities		1
Cash flow from divestments	1	1
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(162)	(157)
Free cash flow	50	143
- taking on long-term financial debt	17	
- repaying long-term financial debt	(29)	(8)
- increase (decrease) in short-term financial debt	(84)	(136)
- dividends distributed to minority interests		
- other changes		
NET CASH FLOW FROM FUNDING ACTIVITIES	(96)	(144)
- other changes		96
NET CASH FLOW FOR THE PERIOD	(46)	(1)
Cash and cash equivalents at start of period	47	1
Cash and cash equivalents at end of period	1	



Italgas S.p.A.

Condensed interim consolidated financial statements

30 June 2016

Review report on the condensed interim consolidated financial statements



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Review report on the condensed interim consolidated financial statements
(Translation from the original Italian text)

To the Board of Directors of
Italgas S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated statement of financial position as of 30 June 2016, the statements of income, comprehensive income, changes in consolidated shareholders' equity and cash flows and the related explanatory notes of Italgas S.p.A. and its subsidiaries (the "Italgas Group") for the six-month periods ended 30 June 2016 and 2015. The Directors of Italgas S.p.A. are responsible for the preparation of the condensed interim consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with *International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Italgas Group as of 30 June 2016 and for the six-month periods ended 30 June 2016 and 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The Italgas Group prepared the accompanying condensed interim consolidated financial statements in connection with the planned partial and proportional demerger of Snam S.p.A. in favor of ITG Holding S.p.A and subsequent listing of the shares of the latter on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A..

Turin, 5 August 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

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