



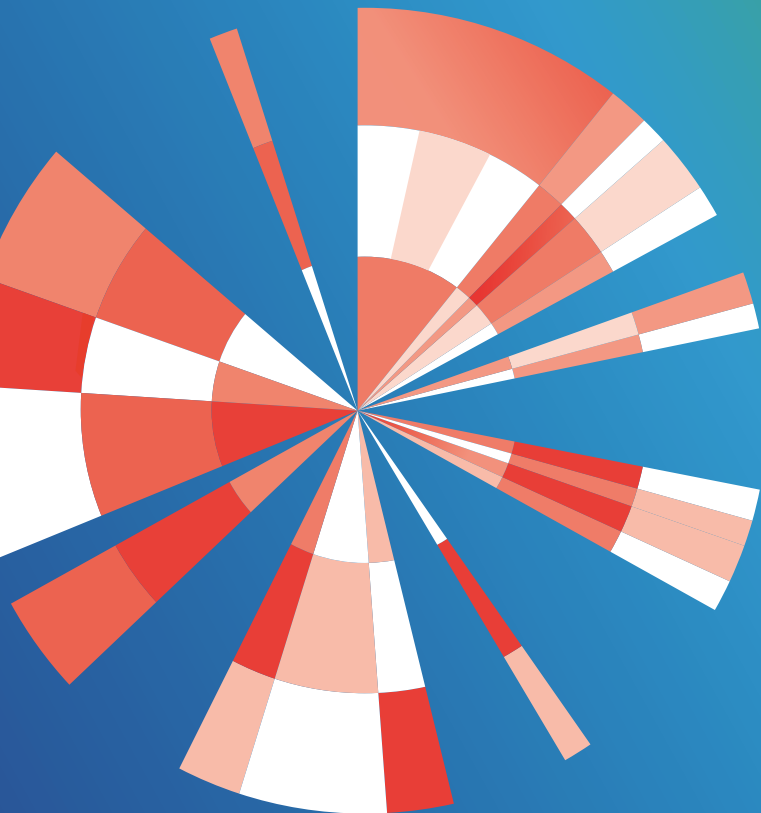
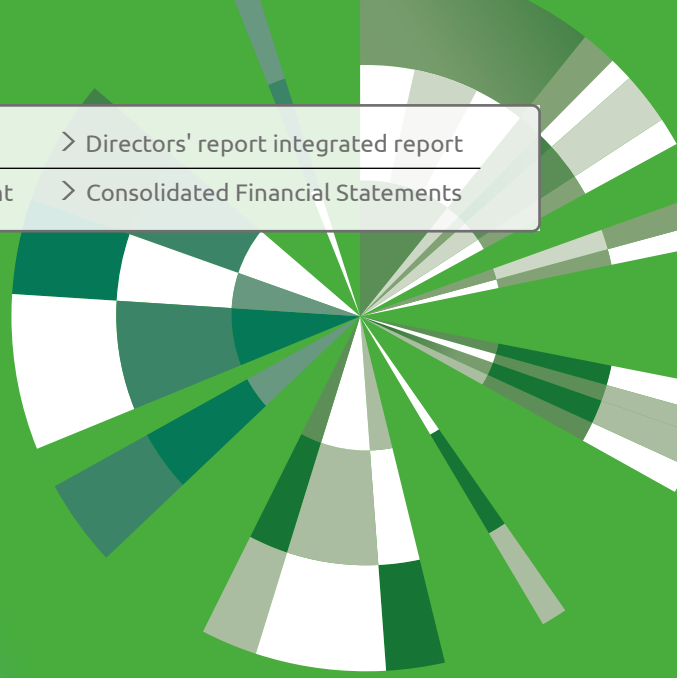
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# FINANCIAL REVIEW




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## FINANCIAL REVIEW

Revenue and operating costs are represented in the “core business” and “new business” views. These include the values of companies that are responsible for Energy Transition activities (sustainable mobility, energy efficiency and biogas/biomethane), as well as the activities of Snam Global Solutions. Consistently, the figures for the comparison periods have been restated.

In accordance with IFRS 8 “Operating Segments,” the operating segments that are reported separately were not changed and refer to regulated activities related to the transportation, regasification and storage of natural gas. Therefore, the new companies of the Energy Transition, are included within the “Corporate and other activities” segment, which is not operational in accordance with IFRS 8. An analysis of EBIT by business segment is provided in the “Business segment operating performance” section.

### Income statement

2018			2019		2020		2020 adjusted vs 2019 adjusted	
	Adjusted (*)	(million of €)	Reported	Adjusted (*)	Reported	Adjusted (*)	Change	% change
2,429	Regulated revenues (**)	2,491	2,491	2,548	2,548	57	2.3	
51	Non-regulated revenues	30	30	30	30	0	0.0	
<b>2,480</b>	<b>Core business revenues</b>	<b>2,521</b>	<b>2,521</b>	<b>2,578</b>	<b>2,578</b>	<b>57</b>	<b>2.3</b>	
<b>50</b>	<b>New business revenues</b>	<b>85</b>	<b>85</b>	<b>192</b>	<b>192</b>	<b>107</b>		
<b>2,530</b>	<b>TOTAL REVENUES (**)</b>	<b>2,606</b>	<b>2,606</b>	<b>2,770</b>	<b>2,770</b>	<b>164</b>	<b>6.3</b>	
(385)	Core business operating costs (**)	(316)	(351)	(437)	(393)	(42)	12.0	
(50)	New business operating costs	(86)	(86)	(180)	(180)	(94)		
<b>(435)</b>	<b>TOTAL OPERATING COSTS (**)</b>	<b>(402)</b>	<b>(437)</b>	<b>(617)</b>	<b>(573)</b>	<b>(136)</b>	<b>31.1</b>	
<b>2,095</b>	<b>EBITDA</b>	<b>2,204</b>	<b>2,169</b>	<b>2,153</b>	<b>2,197</b>	<b>28</b>	<b>1.3</b>	
(690)	Amortisation, depreciation and impairment losses	(752)	(752)	(773)	(773)	(21)	2.8	
<b>1,405</b>	<b>EBIT</b>	<b>1,452</b>	<b>1,417</b>	<b>1,380</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>	
(195)	Net financial expense	(203)	(165)	(158)	(126)	39	(23.6)	
159	Net income from equity investments	216	216	249	249	33	15.3	
<b>1,369</b>	<b>Pre-tax profit</b>	<b>1,465</b>	<b>1,468</b>	<b>1,471</b>	<b>1,547</b>	<b>79</b>	<b>5.4</b>	
(359)	Income tax	(375)	(375)	(370)	(383)	(8)	2.1	
<b>1,010</b>	<b>Net profit</b>	<b>1,090</b>	<b>1,093</b>	<b>1,101</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>	
<b>1,010</b>	- Attributable to parent company shareholders	<b>1,090</b>	<b>1,093</b>	<b>1,101</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>	
	- Minority interests							

(\*) The values exclude special items.

(\*\*) Starting 1 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenue (53 million euros in 2020). Similarly, the relative values from previous years (59 and 56 million euros respectively for 2019 and 2018) have been restated.


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## Reconciled summary of adjusted results <sup>(\*)</sup>

2018	(million of €)	2019	2020	Change	% change
<b>1,384</b>	<b>EBIT</b>	<b>1,452</b>	<b>1,380</b>	<b>(72)</b>	<b>(5.0)</b>
21	Exclusion of special items	(35)	44	79	
<b>1,405</b>	<b>Adjusted EBIT</b>	<b>1,417</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>
<b>960</b>	<b>Net profit</b>	<b>1,090</b>	<b>1,101</b>	<b>11</b>	<b>1.0</b>
960	- Attributable to parent company shareholders	1,090	1,101	11	1.0
	- Minority interests				
50	Exclusion of special items	3	63	60	
<b>1,010</b>	<b>Adjusted net profit</b>	<b>1,093</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>

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

**Adjusted EBITDA** for 2020 amounts to 2,197 million euros, an increase of 28 million euros or 1.3% with respect to the adjusted EBITDA recognised in 2019. The positive contribution made by new energy transition businesses and Snam Global Solution (for approximately 13 million euros overall) and the greater regulated revenues deriving from the increase in the RAB base (+16 million euros), together with the continuation of actions under the Efficiency Plan and the containment of costs following lockdown measures, have more than offset the reduction in regulated revenues deriving from the lower volumes transported following the Covid-19 health emergency, notwithstanding the fact that climate trends are in line with 2019.

**Adjusted EBIT** for 2020 totalled 1,424 million euros, up by 7 million euros (0.5%) compared with adjusted pro-forma EBIT for 2019. The aforementioned increase in EBITDA was partially absorbed by the natural increase in amortisation/depreciation for the period (-40 million euros, 5.5%), essentially due to the entry of new assets to operations, partially compensated for by lower writedowns (+19 million euros, 63.3%).

**Adjusted net profit** for 2020 totalled 1,164 million euros, up by 71 million euros (6.5%) compared with adjusted net profit for 2019. The increase is due to the greater EBIT, as well as: (i) the sharp decline in net financial expenses (+39 million euros; equivalent to 23.6%), thanks mainly to the actions to optimise the financial structure and management of the treasury, with the cost of gross debt coming to 0.9%, notwithstanding the greater average debt for the period, influenced by investments in equity

investments as well as the payment of dividends to shareholders and the share buyback activity; (ii) greater revenue from equity investments (+33 million euros; +15.3%) thanks to the positive contribution, which includes some one-off or temporary effects, from the investees TAP (+22 million euros), following the entry into operation of the methane pipeline as of 15 November 2020 and non-current items that have led to higher than expected results, and TAG (+10 million euros), following the recognition of tariff components linked to the termination of the regulatory period, as well as the positive result for ADNOC Gas Pipeline (+20 million euros), an equity investment acquired in July 2020. These effects were partially offset for the tariff updating by the smaller contribution from Terēga (-9 million euros), which in 2019 benefited from non-recurring items, and from Interconnector UK (-7 million euros), due to lower capacity commitments in 2020 with respect to the previous year.

Income taxes recorded an increase (8 million euros; equivalent to 2.1%) following the greater pre-tax profit, partly offset by the effects of the reintroduction of the ACE<sup>28</sup>.

<sup>28</sup> The ACE - Aid to Economic Growth benefit, introduced by Decree-Law no. 201 of 6 December 2011 converted into Law no. 214 of 22 December 2011 and subsequent additions and amendments, was repealed by the 2019 Budget Law and subsequently reinstated by the 2020 Budget Law with a reduced rate from 1.5% to 1.3%.


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## ANALYSIS OF THE ENTRIES ON THE ADJUSTED FINANCIAL STATEMENT

### Total revenues

2018	(million of €)	2019	2020	Change	% change
<b>Business segments</b>					
2,069	Transportation	2,116	<b>2,156</b>	40	1.9
596	Storage	591	<b>689</b>	98	16.6
24	Regasification	32	<b>31</b>	(1)	(3.1)
268	Corporate and other activities	311	<b>443</b>	132	42.4
(427)	Consolidation eliminations	(444)	<b>(549)</b>	(105)	23.6
<b>2,530</b>		<b>2,606</b>	<b>2,770</b>	<b>164</b>	<b>6.3</b>

### Revenues - Core and new business revenues

2018	(million of €)	2019	2020	Change	% change
<b>2,480</b>	<b>Core business revenues</b>	<b>2,521</b>	<b>2,578</b>	<b>57</b>	<b>2.3</b>
<b>2,429</b>	<b>Regulated revenues</b>	<b>2,491</b>	<b>2,548</b>	<b>57</b>	<b>2.3</b>
1,907	Transportation	1,969	<b>2,028</b>	59	3.0
505	Storage	505	<b>499</b>	(6)	(1.2)
17	Regasification	17	<b>21</b>	4	23.5
<b>51</b>	<b>Non-regulated revenues</b>	<b>30</b>	<b>30</b>	<b>0</b>	<b>0.0</b>
<b>50</b>	<b>New business revenues</b>	<b>85</b>	<b>192</b>	<b>107</b>	
<b>2,530</b>	<b>Total revenues</b>	<b>2,606</b>	<b>2,770</b>	<b>164</b>	<b>6.3</b>

**Total revenues** for 2020 financial year amounted to 2,770 million euros, up by 164 million euros or 6.3% with respect to 2019 financial year.

**Core business revenues** (2,578 million euros, net of consolidation eliminations) rose by 57 million euros, up 2.3% compared with 2019), essentially due to higher regulated revenues, thanks in particular to the contribution from the transportation business segment. Net of the effects of the recognition of energy costs, regulated revenues amounted to 2,488 million euros, down slightly with respect to 2019 (-3 million euros or 0.1%). The higher revenues mainly attributable to tariff updating mechanisms, more specifically attributable to the increase in RAB (+16 million euros), were offset by the reduction in volumes transported as a result of the Covid-19 health emergency (-17 million euros). The variation in regulated revenues was also affected by the lower revenues for gas sales linked to the "default" service in the transportation segment.

With reference to energy costs, and particularly costs for the purchase of fuel gas, previously contributed in kind by shippers, and costs for the purchase of CO<sub>2</sub> emission rights, it is noted that, on the basis of what is established by the regulatory framework in force for the fifth regulatory period, as of 1 January 2020, those costs are covered by revenue through the variable fee applied to users.

**Non-regulated revenues** (30 million euros), essentially in line with that of 2019, principally refers to income from the leasing and maintenance of fibre optic telecommunications cables (14 million euros) and contributions for connections to infrastructure.

**Revenues from new businesses** (192 million euros, net of consolidation eliminations), increased by 107 million euros compared to 2019, thanks to the growth in biogas and biomethane facility orders from the subsidiary IES Biogas, the start of energy efficiency activities in the


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residential context, and sales of compressors for sustainable mobility, as well as the development of Snam Global Solutions activities, principally connected to the EPMS contract with TAP. The increase in revenues from new businesses was also affected by the revenues from companies that entered the scope of consolidation at the end of 2019 in the biomethane segment (Renerwaste group) and in 2020 in the energy efficiency segment (Mieci, Evolve).

### Operating costs <sup>(\*)</sup>

2018	(million of €)	2019	2020	Change	% change
<b>Business segments</b>					
413	Transportation	366	<b>380</b>	14	3.8
161	Storage	149	<b>263</b>	114	76.5
17	Regasification	26	<b>24</b>	(2)	(7.7)
271	Corporate and other activities	340	<b>452</b>	112	32.9
(427)	Consolidation eliminations	(444)	<b>(546)</b>	(102)	23.0
<b>435</b>		<b>437</b>	<b>573</b>	<b>136</b>	<b>31.1</b>

### Operating costs - Core and new business costs <sup>(\*)</sup>

2018	(million of €)	2019	2020	Change	% change
<b>385</b>	<b>Core business costs</b>	<b>351</b>	<b>393</b>	<b>42</b>	<b>12.0</b>
385	Fixed costs	288	<b>280</b>	(8)	(2.8)
	Variable costs	11	<b>46</b>	35	
	Other costs	52	<b>67</b>	15	28.8
<b>50</b>	<b>New business costs</b>	<b>86</b>	<b>180</b>	<b>94</b>	
<b>435</b>	<b>Total operating costs</b>	<b>437</b>	<b>573</b>	<b>136</b>	<b>31.1</b>

(\*) Net of special items.

Operating costs in 2020 stood at 573 million euros, an increase of 136 million euros, up 31.1% compared with 2019.

**Core business operating costs** (393 million euros, net of consolidation eliminations) rose by 42 million euros, up 12.0% on 2019, principally due to the increase in energy costs, attributable in particular to the costs for fuel gas purchases, previously subject to contribution in kind by shippers. These costs are covered by revenues, based on the current regulatory framework for the fifth regulatory period. Net of this effect, core business operating costs recorded a reduction of 17 million euros, equivalent to 4.8%, principally due to the continuation of actions under the Efficiency Plan (63 million euros of cost efficiencies compared to 2016; +12 million euros compared to 2019), lower costs linked to the development of new business initiatives and specific projects, in addition to the containment of costs following the lockdown measures.


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**New business operating costs** (180 million euros, net of consolidation eliminations) rose by 94 million euros compared with on 2019. The increase is attributable to growth in the volume of activities, as well as the costs arising from the entry and integration of companies active in the biomethane business that entered the scope of consolidation at the end of 2019, and the energy efficiency segment at the end of 2020.

The number of employees as at 31 December 2020 (no. 3,249 resources) is analysed below by professional status:

2018	(no.)	2019	2020	Change	% change
<b>Professional status</b>					
107	Senior Managers	111	<b>131</b>	20	18.0
480	Middle Managers	493	<b>549</b>	56	11.4
1,682	Office workers	1,683	<b>1,764</b>	81	4.8
747	Manual workers	738	<b>805</b>	67	9.1
<b>3,016</b>		<b>3,025</b>	<b>3,249</b>	<b>224</b>	<b>7.4</b>

The increase of 224 people compared with 2019 is mainly due to the resources coming from the acquisition of Miec and Evolve (137 resources) and the new hires from the job market, net of the relative personnel leaving, mainly to support the development of new businesses (more than 50 people).

#### Amortisation, depreciation and impairment losses

2018	(million of €)	2019	2020	Change	% change
<b>682</b>	<b>Total amortisation and depreciation</b>	<b>722</b>	<b>762</b>	<b>40</b>	<b>5.5</b>
<b>Business segments</b>					
567	Transportation	598	<b>627</b>	29	4.8
5	Regasification	5	<b>7</b>	2	40.0
100	Storage	105	<b>108</b>	3	2.9
10	Corporate and other activities	14	<b>23</b>	9	64.3
	<i>Consolidation eliminations</i>		<b>(3)</b>	<b>(3)</b>	
<b>8</b>	<b>Impairment losses (Recovery of value)</b>	<b>30</b>	<b>11</b>	<b>(19)</b>	<b>(63.3)</b>
<b>690</b>		<b>752</b>	<b>773</b>	<b>21</b>	<b>2.8</b>


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**Depreciation, amortisation and impairment losses** (773 million euros) increased by 21 million euros or 2.8% compared with 2019. The increase is mainly due to the greater depreciation and amortisation (+40 million euros or +5.5%), essentially following the new infrastructure coming into operation and the businesses that joined the scope of consolidation, partially offset by lower write-downs (-19 million euros; -63.3%).

Below is a breakdown of EBIT by business segment:

## EBIT

2018	(million of €)	2019	2020	Change	% change
<b>Business segments</b>					
1,081	Transportation <sup>(*)</sup>	1,122	<b>1,142</b>	20	1.8
2	Regasification	1		(1)	(100.0)
335	Storage	337	<b>314</b>	(23)	(6.8)
(13)	Corporate and other activities <sup>(*)</sup>	(43)	<b>(32)</b>	11	(25.6)
<b>1,405</b>		<b>1,417</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>

(\*) Net of special items.

With reference to the business segments subject to separate reporting pursuant to IFRS 8, an analysis of EBIT is provided in the "Business segment operating performance" section of this Report.

## Net financial expense

2018	(million of €)	2019	2020	Change	% change
<b>199</b>	<b>Financial expense related to net financial debt</b>	<b>164</b>	<b>145</b>	<b>(19)</b>	<b>(11.6)</b>
202	Interest and other expense on short- and long-term financial debt <sup>(*)</sup>	173	<b>156</b>	(17)	(9.8)
(3)	Bank interest income	(9)	<b>(11)</b>	(2)	22.2
<b>6</b>	<b>Other net financial expense (income)</b>	<b>11</b>	<b>(7)</b>	<b>(18)</b>	
11	Accretion discount	8	<b>6</b>	(2)	(25.0)
(5)	Other net financial expense (income)	3	<b>(13)</b>	(16)	
<b>2</b>	<b>Losses on derivatives - ineffective portion <sup>(*)</sup></b>	<b>1</b>		<b>(1)</b>	
<b>(12)</b>	<b>Financial expense capitalised</b>	<b>(11)</b>	<b>(12)</b>	<b>(1)</b>	<b>9.1</b>
<b>195</b>		<b>165</b>	<b>126</b>	<b>(39)</b>	<b>(23.6)</b>

(\*) Net of special items.

**Net financial expense** in 2020 stood at 126 million euros, a reduction of 39 million euros or 23.6% compared with 2019. The reduction is principally due to: (i) lower costs related to the net financial gross debt (-19 million euros or -11.6%) mainly connected to the lower average cost of borrowing, also following the benefits resulting from the actions to optimise the financial structure of the group implemented by Snam in the period 2016-2020, specifically the


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liability management operations, as well as the positive market conditions, notwithstanding the higher average debt for the period, influenced by equity investments, as well as the payment of dividends to shareholders and share buyback activities; (ii) benefits linked to the optimisation of treasury management in particular the use of uncommitted lines and negative-rate Commercial Papers and the use of liquid funds which made it possible to generate financial income for a total of 11 million euros (+22% compared with 2019) and (iii) greater net financial income (+18 million euros) principally in relation to interest receivable on long-term financial receivables related to the pro-rata contribution from the OTL Shareholder Loan (+13 million euros).

Capitalised financial costs in 2020 amounted to 12 million euros, broadly in line with the previous year.

### Net income from equity investments

2018	(million of €)	2019	2020	Change	% change
157	Portion of profit or loss from equity investments accounted for using the equity method	218	247	29	13.3
2	Other (expenses) and income from equity investments	(2)	2	4	(200.0)
<b>159</b>		<b>216</b>	<b>249</b>	<b>33</b>	<b>15.3</b>

**Net income from equity investments** (247 million euros; +33 million euros or 15.3%) essentially relates to the portion of profit from equity investments accounted for using the equity method (247 million euros) mainly attributable to the companies under joint control TAG (84 million euros), Terêga (35 million euros) as well as the subsidiaries Italgas (52 million euros), Senfluga (27 million euros), Galaxy<sup>29</sup> (20 million euros) and TAP (15 million euros).

### Income tax

2018	(million of €)	2019	2020	Change	% change
385	<b>Current taxes</b> <sup>(*)</sup>	410	409	(1)	(0.2)
(26)	<b>Deferred taxes</b> <sup>(*)</sup>	(35)	(26)	9	(25.7)
<b>359</b>		<b>375</b>	<b>383</b>	<b>8</b>	<b>2.1</b>

(\*) Net of special items.

**Income taxes** totalled 383 million euros, an increase of 8 million euros or 2.1% compared with 2019. The increase is mainly due to the greater pre-tax profit, partly offset by the greater ACE - Aid to economic Growth benefit, reintroduced by the 2020 Budget Law, as well as the benefits associated with the tax benefits from super-amortisation.

<sup>29</sup> Galaxy Pipeline Assets HoldCo Limited, a corporate vehicle through which Snam, in concert with 5 international funds, purchased the equity investment in ADNOC Gas Pipeline Assets LLC.


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## NON-GAAP MEASURES

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

Snam's management believes that these measures facilitate the analysis of the Group's performance and of the business segments, ensuring better comparability of results over time.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and additions (Consob Communications no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators<sup>30</sup> and compliant with international accounting standards<sup>31</sup>.

With regard to the impact of Covid-19 on the determination of alternative performance indicators, ESMA<sup>32</sup> recommends caution in the use of separate items in the income statement with regard to the impacts of Covid-19 in order to ensure consistency in the determination of alternative performance indicators, and not to affect the intelligibility of a company's financial performance through new indicators if not adequately justified.

In accordance with these recommendations, also due to the limited impact of Covid-19 on its results, Snam has not changed the Non-GAAP financial disclosure provided previously, simply isolating emerging costs directly related to the current pandemic situation as income components classified under special items, as illustrated below.

## EBITDA, EBIT and adjusted net profit

EBITDA, EBIT and adjusted net profit are obtained by excluding the special items (gross and net of the related taxes, respectively) from the respective reported profit measures, as per the legal scheme of the Income Statement.

Income components classified among special items for financial year 2020<sup>33</sup> involve:

- i) financial expense resulting from the buy back on the market of bonds under the scope of the liability management operation implemented by Snam in December 2020 (32 million euros, 24 million euros after the tax effect, 38 million euros in 2019, 29 million euros after the tax effect). These charges are essentially linked to the difference between the outflow deriving from the repurchase of bonds on the market and measurement at the amortised cost of the bonds themselves;
- ii) the costs suffered due to the state of emergency linked to the Covid-19 pandemic, for a total of 27 million euros (22 million euros net of tax effects), relative to:
  - (a) donations of healthcare materials (14 million euros) and cash (2 million euros), also through Fondazione Snam, to assist the Italian healthcare system and the third sector;
  - (b) purchases of personal protective equipment for internal use (6 million euros);
  - (c) costs for services (5 million euros), mainly to deep clean working environments and for security.
- iii) allocation to the provision for risks and charges (17 million euros) for the estimate of likely tax and financial charges against facts and/or events already existing as of 31 December 2020.

<sup>30</sup> According to the CESR/05-178b recommendation of October 2005, all the data included in the financial statements audited in accordance with IFRS or in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are conventional indicators or in the commentary notes.

<sup>31</sup> For the definition of these quantities refer to the Glossary.

<sup>32</sup> For more information see ESMA document 32-51-370 "ESMA Guidelines on Alternative Performance Measures (APMs)" of 17 April 2020, Q&A no. 18.

<sup>33</sup> With reference to 2019, in addition to the effects of the Liability Management operation referred to above, the special items excluded from the reported results concerned the release to the income statement of the provision for impairment losses (35 million euros) following the recognition by the Regulatory Authority, of part of the receivables not collected relating to the balancing activities for the period 1 December 2011 - 23 October 2012.



## Special items

Income components are classified among special items, if significant, when:

- (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or
- (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion.

Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report.

## Free cash flow

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

## Net financial debt

Net financial debt is calculated as the financial debt net of cash and cash equivalents, securities available for sale and to be kept until maturity and short-term financial receivables.


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

(million of €)	2019			2020			2020 adjusted vs 2019 adjusted	
	Reported	Special item	Adjusted	Reported	Special item	Adjusted	Change	% change
Regulated revenues	2,491		2,491	2,548		2,548	57	2.3
Non-regulated revenues	30		30	30		30	0	0.0
<b>Core business revenues</b>	<b>2,521</b>		<b>2,521</b>	<b>2,578</b>		<b>2,578</b>	<b>57</b>	<b>2.3</b>
<b>New business revenues</b>	<b>85</b>		<b>85</b>	<b>192</b>		<b>192</b>	<b>107</b>	<b>125.9</b>
<b>TOTAL REVENUES</b>	<b>2,606</b>		<b>2,606</b>	<b>2,770</b>		<b>2,770</b>	<b>164</b>	<b>6.3</b>
Core business operating costs	(317)	(35)	(352)	(442)	44	(398)	(46)	13.1
New business operating costs	(85)		(85)	(175)		(175)	(90)	105.9
<b>TOTAL OPERATING COSTS</b>	<b>(402)</b>	<b>(35)</b>	<b>(437)</b>	<b>(617)</b>	<b>44</b>	<b>(573)</b>	<b>(136)</b>	<b>31.1</b>
<b>EBITDA</b>	<b>2,204</b>	<b>(35)</b>	<b>2,169</b>	<b>2,153</b>	<b>44</b>	<b>2,197</b>	<b>28</b>	<b>1.3</b>
Amortisation, depreciation and impairment losses	(752)		(752)	(773)		(773)	(21)	2.8
<b>EBIT</b>	<b>1,452</b>	<b>(35)</b>	<b>1,417</b>	<b>1,380</b>	<b>44</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>
Net financial expense	(203)	38	(165)	(158)	32	(126)	39	(23.6)
Net income from equity investments	216		216	249		249	33	15.3
<b>Pre-tax profit</b>	<b>1,465</b>	<b>3</b>	<b>1,468</b>	<b>1,471</b>	<b>76</b>	<b>1,547</b>	<b>79</b>	<b>5.4</b>
Income tax	(375)		(375)	(370)	(13)	(383)	(8)	2.1
<b>Net profit</b>	<b>1,090</b>	<b>3</b>	<b>1,093</b>	<b>1,101</b>	<b>63</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>
- Attributable to Parent Company shareholders	1,090	3	1,093	1,101	63	1,164	71	6.5
- Minority interests								


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## Details of special items

(million of €)	2019	2020	Change	% change
<b>Special item of EBIT</b>	<b>(35)</b>	<b>44</b>	<b>79</b>	
Allocations to provisions for risks and charges		17	17	
Exclusion of special items for emerging Covid-19 costs:		27	27	
- of which assets donated		14	14	
- of which cash donated		2	2	
- of which healthcare material for internal use and services		11	11	
Release of provision for impairment losses for balancing receivables	(35)		35	(100.0)
<b>Special item Net financial expenses</b>	<b>38</b>	<b>32</b>	<b>(6)</b>	<b>(15.8)</b>
- Liability management finance charges	38	32	(6)	(15.8)
<b>Special item Income taxes</b>	<b>0</b>	<b>(13)</b>	<b>(13)</b>	
- Taxation on special items in EBIT	9	(5)	(14)	
- Taxation on special item net financial expense	(9)	(8)	1	(11.1)
<b>Total special item of net profit</b>	<b>3</b>	<b>63</b>	<b>60</b>	


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## RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The reclassified Statement of Financial Position combines the assets and liabilities of the Statutory layout included in the Annual Report and the Half Year Report based on how the business operates, usually split into the three basic functions of investment, operations and financing.

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

### RECLASSIFIED STATEMENT OF FINANCIAL POSITION <sup>(\*)</sup>

(million of €)	31.12.2019	31.12.2020	Change
<b>Fixed capital</b>	<b>19,311</b>	<b>20,260</b>	<b>935,949</b>
Property, plant and equipment	16,439	<b>16,815</b>	376
- of which right-of-use leased assets	21	<b>21</b>	
Non-current inventories - Compulsory inventories	363	<b>363</b>	
Intangible assets and goodwill	990	<b>1,125</b>	135
Equity investments accounted for using the equity method	1,787	<b>1,923</b>	136
Other financial assets	44	<b>421</b>	363377
Net payables for investments	(312)	<b>(387)</b>	(75)
Net working capital	<b>(1,094)</b>	<b>(861)</b>	<b>233</b>
<b>Provision for employee benefits</b>	<b>(46)</b>	<b>(40)</b>	<b>6</b>
<b>Non-current assets held for sale</b>	<b>10</b>		
<b>NET INVESTED CAPITAL</b>	<b>18,181</b>	<b>19,359</b>	<b>1,164178</b>
<b>Shareholders' equity</b>	<b>6,258</b>	<b>6,472</b>	<b>200214</b>
- Shareholders' equity pertaining to Parent Company shareholders	6,255	<b>6,469</b>	200214
- Minority interests	3	<b>3</b>	
<b>Net financial debt</b>	<b>11,923</b>	<b>12,887</b>	<b>964</b>
- of which financial payables for leased assets <sup>(**)</sup>	21	<b>21</b>	
<b>COVERAGE</b>	<b>18,181</b>	<b>19,359</b>	<b>1,178</b>

(\*) For a reconciliation of the reclassified statement of financial position to the compulsory statement see the paragraph below "Reconciliation of the reclassified financial statement with the legally required statements".

(\*\*) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

Fixed capital (20,260 million euros) increased by 949 million euros with respect to 31 December 2019, essentially due to: (i) the rise in tangible and intangible fixed assets (+511 million euros); (ii) the growth in financial assets (+377 million euros), mainly against long-term financial receivables due from OLT, for which Snam took over when the equity investment was acquired and it became part of the ITM Power Plc shareholding structure, an equity investment measured at Fair Value Through OCI - FVTOCI; (iii) the increase in equity investments accounted


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for using the equity method (+136 million euros), against profits achieved in 2020 financial year from associate companies, net of dividends collected, as well as the acquisition of ADNOC Gas Pipeline (49% in a consortium with 5 international funds) and Iniziative Biometano S.p.A. (50% with joint control). These effects were partially compensated for by the trend in net payables for investments (-75 million euros).

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

(million of €)	Property, plant and equipment	Intangible assets	Total
<b>Balance at 31 December 2019</b>	<b>16,439</b>	<b>990</b>	<b>17,429</b>
Technical investments	1,024	165	<b>1,189</b>
Amortisation, depreciation and impairment losses	(692)	(81)	<b>(773)</b>
Transfers, write-offs and divestments	(14)	(1)	<b>(15)</b>
Change in scope of consolidation	2	54	<b>56</b>
Other changes	56	(2)	<b>54</b>
<b>Balance at 31 December 2020</b>	<b>16,815</b>	<b>1,125</b>	<b>17,940</b>

In 2020, technical investments amounted to 1,189 million euros<sup>34</sup>, up with respect to 2019 (+226 million euros; 23.5%), in line with forecasts, despite the impacts deriving from Covid-19. These refer mainly to the transportation (981 million euros) and storage (134 million euros) segments.

The change in the scope of consolidation (+56 million euros, of which 1 million euros is leased assets as right-of-use assets) refers to assets recorded following the acquisition of 70%<sup>35</sup> of Mieci S.p.A. (45 million euros) and Evolve S.p.A. (11 million euros).

The other changes (54 million euros) mainly concern: (i) the effects resulting from the adjustment of the current value of outlays compared with the costs of dismantling and restoring sites (+73 million euros)<sup>36</sup>; (ii) the contributions to third-party interference works (compensation; -20 million euros).

<sup>34</sup> An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

<sup>35</sup> Greater information with regard to the impact of the business combination is illustrated in Note no. 24 "Business combinations" in the Notes to the consolidated financial statements.

<sup>36</sup> Further information is provided in Note 20 "Provision for risks and charges" of the Notes to the consolidated financial statements.


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## Non-current inventories - Compulsory inventories

Compulsory inventories, standing at 363 million euros (unchanged from 31 December 2019) are made up of minimum quantities of natural gas which storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001. The quantities of natural gas in stock, equal to around 4.5 billion standard cubic metres, are determined annually by the Ministry of Economic Development<sup>37</sup>.

## Equity investments accounted for using the equity method

The equity investments accounted for using the equity method (1,923 million euros) mainly related to the companies Trans Austria Gasleitung GmbH - TAG (521 million euros), Terēga Holding S.A.S. (338 million euros), Trans Adriatic Pipeline AG - TAP (278 million euros), Italgas S.p.A. (235 million euros), Galaxy Pipeline Assets HoldCo Limited (207 million euros), Senfluga (138 million euros) and AS Gasinfrastruktur Beteiligung GmbH (125 million euros). Detailed changes are provided in note no. 16 "Equity investments accounted for using the equity method" in the Notes to the Consolidated Financial Statements.

## Other financial assets

Other financial assets (421 million euros) mainly refer to the long-term financial receivables from OLT, originating from the taking over of the residual share of a shareholders' loan from Iren S.p.A. in favour of OLT, against the acquisition of the 49.07% stake in the share capital of the company completed on 26 February 2020 (332 million euros; 303 million euros net of subsequent reimbursements) and the fair value measurement through OCI of the minority interests in the companies Terminale GNL Adriatico S.r.l. (38 million euros) and ITM Power Plc (74 million euros, against a purchase cost of approximately 34 million euros).

<sup>37</sup> By means of the announcement of 17 January 2020, the Ministry of Economic Development confirmed that the strategic gas storage volume for thermal storage year 2020-2021 (1 April 2020-31 March 2021) would remain at 4.62 billion standard cubic metres, 4.5 billion cubic metres of which was allocated to Stogit. By means of the Decree of 12 February 2021, the Ministry confirmed the strategic gas storage volume for the thermal year 2021-2022 (1 April 2021-31 March 2022) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit


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For more details, see note no. 12 "Other current and non-current financial assets" in the Notes to the Consolidated Financial Statements.

### Net working capital

(million of €)	31.12.2019	31.12.2020	Change
Trade receivables	1,217	1,551	334
Inventories	112	98	(14)
Tax assets	35	93	58
Other assets	185	187	2
Provisions for risks and charges	(713)	(798)	(85)
- of which: Provision for site dismantlement and restoration	647	710	63
Trade payables	(487)	(639)	(152)
Accruals and deferrals from regulated activities	(145)	(111)	34
Net liabilities for income taxes	(106)	(90)	16
Derivative liabilities/(assets)	(63)	(38)	25
Tax liabilities	(35)	(10)	25
Other liabilities	(1,094)	(1,104)	(10)
- of which: Payables to the Energy and Environmental Services Fund (CSEA)	597	575	(22)
- of which: Payable for interim dividend 2020	313	326	13
	<b>(1,094)</b>	<b>(861)</b>	<b>233</b>

The net working capital (861 million euros) increased by 233 million euros in respect to 31 December 2019. The increase is mainly attributable to: (i) the increase in assets related to tariff batches of the transportation segment (+158 million euros) principally following the higher receivables from the CSEA against less imports invoiced in 2020 to users, with respect to the restriction established by the Regulatory Authority (+106 million euros), as well as the greater net assets for additional tariff components invoiced to users (+21 million euros) mainly following the changes to invoicing for payments and the relative collection times; (ii) greater net tax receivables (+83 million euros) due to the changes to payments on account

made in relation to the period-end tax burden; (iii) net assets coming from companies that entered the scope of consolidation at the end of 2020 (+33 million euros); (iv) the reduction in liabilities for hedging derivatives (+25 million euros) mainly following the unwinding of forward start contracts after the issuing of the relative debt instruments. These effects were partly offset by: (i) the increase in provisions for risks and charges (-85 million euros) mainly due to the adjustment of the current value of costs for the decommissioning and restoration of sites following a reduction in the discounting rates expected; (ii) the increase in net liabilities for settlement and balancing of the gas transportation system<sup>38</sup> (-98 million euros).

<sup>38</sup> From 2018, the Company, in its capacity as Balancing Manager (BM), has been responsible for the regulation of the physical and economic items of the balancing service related to previous years and deriving from the correction of measurement data. The regulations also stipulate that any imbalance of credit items and debit items in relation to users must be regulated by the CSEA in order to guarantee Snam Rete Gas's neutrality as a major transportation company.


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## Comprehensive income statement

(million of €)	2019	2020
<b>Net profit for the year</b>	<b>1,090</b>	<b>1,101</b>
<b>OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT</b>		
Cash flow hedge – effective portion of fair value change	(44)	(6)
Share of other comprehensive income statement of equity investments accounted for using the equity method (*)	(17)	(38)
Tax effect	10	1
<b>Total items that may be reclassified to profit or loss, net of tax effect</b>	<b>(51)</b>	<b>(43)</b>
Revaluation of employee benefit liabilities (defined-benefit plans)		(1)
Share of other comprehensive income statement of equity investments accounted for using the equity method	(1)	1
Equity investments accounted for at FVTOCI (“fair value through other comprehensive income”)	4	43
Tax effect		
<b>Total items that will not be reclassified to profit or loss, net of tax effect</b>	<b>3</b>	<b>43</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX</b>	<b>(48)</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,042</b>	<b>1,101</b>
<b>Total comprehensive income statement attributable to:</b>		
- Parent Company shareholders	1,042	1,101
- Minority interests		

(\*) The values essentially refer to the change in the fair value of derivative financial instruments used to hedge investments in associates.




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## Shareholders' equity

(million of €)	2019	2020
<b>Shareholders' equity at 31 December 2019</b>		<b>6,258</b>
<i>Increases owing to:</i>		
- Comprehensive income	1,101	
- Other changes	19	
		<b>1,120</b>
<i>Decreases owing to:</i>		
- 2019 dividend balance	(466)	
- 2020 Interim Dividend (*)	(326)	
- Acquisition of treasury shares	(114)	
		<b>(906)</b>
<b>Shareholders' equity at 31 December 2020</b>		<b>6,472</b>
- Shareholders' equity pertaining to Parent Company shareholders		<b>6,469</b>
- Minority interests		<b>3</b>

(\*) Amount paid on 20 January 2021.

Information about the individual equity items and changes therein compared with 31 December 2019 is given in Note 23 to the consolidated financial statements, "Shareholders' Equity".

## Reconciliation between Snam S.p.A.'s net profit and the shareholders' equity and those of the consolidated companies

(million of €)	Net profit		Shareholders' equity	
	2019	2020	31.12.2019	31.12.2020
<b>Statutory financial statements of Snam S.p.A.</b>	<b>817</b>	<b>1,015</b>	<b>4,396</b>	<b>4,550</b>
Net profit of the Companies included in the scope of consolidation	972	<b>971</b>		
Difference between the carrying value of the equity investments in consolidated companies and the shareholders' equity in the annual financial statements, inclusive of the profit for the period			1,815	<b>1,912</b>
<b>Adjustments made upon consolidation for:</b>				
- Dividends	(777)	<b>(868)</b>		
- Difference between purchase price and corresponding net shareholders' equity	(3)	<b>(5)</b>		
- Adjustments due to uniformity of accounting principles	(1)	<b>(2)</b>		
- Income from valuation of equity investments accounted for by the equity method and other Income from equity investments	82	<b>(10)</b>	47	<b>10</b>
	<b>1,090</b>	<b>1,101</b>	<b>6,258</b>	<b>6,472</b>
Minority interests			(3)	<b>(3)</b>
<b>Consolidated financial statements (*)</b>	<b>1,090</b>	<b>1,101</b>	<b>6,255</b>	<b>6,469</b>

(\*) Shareholders' equity pertaining to Parent Company shareholders.


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## Net financial debt

(million of €)	31.12.2019	31.12.2020	Change
<b>Financial and bond debt</b>	<b>14,774</b>	<b>15,937</b>	<b>1,163</b>
Short-term financial liabilities (*)	4,125	5,599	1,474
Long-term financial liabilities	10,628	10,317	(311)
Financial payables for leased assets (**)	21	21	
<b>Financial receivables and cash and cash equivalents</b>	<b>(2,851)</b>	<b>(3,050)</b>	<b>(199)</b>
Cash and cash equivalents	(2,851)	(3,044)	(193)
Short-term financial receivables		(5)	(5)
Short-term securities held for sale		(1)	(1)
	<b>11,923</b>	<b>12,887</b>	<b>964</b>

(\*) Includes the current portion of non-current financial liabilities.

(\*\*) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

Net financial debt was 12,887 million euros at 31 December 2020, compared with 11,923 million euros at 31 December 2019.

Cash flow from operations (1,597 million euros) made it possible to fully cover net technical investment requirements (-1,110 million euros). Taking into account net outflows associated with the acquisition of equity investments (-522 million euros, including the shareholders loan to OLT acquired by Snam with the purchase of the equity investment), free cash flow stood negative at 35 million euros. The net financial debt, after equity cash flow deriving from the payment to shareholders of the 2019 dividend (779 million euros, of which an interim dividend of 313 million euros and 466 million euros for the balance) and the acquisition of treasury shares (114 million euros), recorded an increase of 964 million euros compared with 31 December 2019, including non-monetary components related to financial debt (36 million euros), which refer mainly to the change in the scope of consolidation and the financial debt recorded through the application of IFRS 16 "Leasing".

Financial and bond debts at 31 December 2020 equal to 15,937 million euros (14,774 million euros at 31 December 2019) comprise the following:

(million of €)	31.12.2019	31.12.2020	Change
Bond loans	9,048	8,140	(908)
- of which short-term (*)	1,439	308	(1,131)
Bank loans	3,704	5,273	1,569
- of which short-term (*)	685	2,788	2,103
Euro Commercial Paper - ECP (**)	2,001	2,503	502
Financial payables for leased assets	21	21	
	<b>14,774</b>	<b>15,937</b>	<b>1,163</b>

(\*) Includes the current portion of non-current financial liabilities.

(\*\*) Entirely short-term.


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Bond loans (8,140 million euros) showed reduction of 908 million euros compared with 31 December 2019, mainly due to: (i) the repayment of a fixed rate bond maturing on 29 January 2020, for a nominal amount of 350 million euros; (ii) the repayment of a fixed rate bond loan maturing on 13 February 2020, of a nominal amount of 526 million euros; (iii) the repayment of a fixed rate bond maturing 25 October 2020, of a nominal amount of 500 million euros; (iv) the repurchase on the market of fixed-rate bonds for a total nominal value of 629 million euros with an average coupon of 0.62% and a residual duration of approximately 2.80 years. The total disbursement resulting from the buy back of securities as part of the Liability Management transaction, concluded in December 2020 stood at 651 million euros<sup>39</sup>, including the fees paid to intermediaries and accrued interest. These variations were partially offset by the issuing: (i) a Transition Bond, for a nominal amount of 500 million euros, at a fixed rate maturing on 17 June 2030; (ii) a Transition Bond, for a nominal amount of 600 million euros, at a fixed rate maturing on 7 December 2028.

Bank loans (5,273 million euros) increased by 1,569 million euros, due mainly to higher net utilisations of uncommitted credit lines (1,047 million euros) and the subscription of new Term Loans for an incremental nominal value of 590 million euros.

The Euro Commercial Papers (2,503 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors.

Cash and cash equivalents, of 3,044 million euros (2,851 million euros as at 31 December 2019) refer mainly to current accounts and on-call bank deposits (2,991 million euros) and cash held at the company Gasrule Insurance DAC (23 million euros) and Snam International BV (22 million euros).

At 31 December 2020, Snam had unused committed long-term credit lines worth 3.2 billion euros.

Information on financial covenants is provided in note no. 17 "Current and non-current financial liabilities" in the Notes to the Consolidated Financial Statements.

<sup>39</sup> For more information on the operation, see the section titled "2020 Performance - Main events".


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## RECLASSIFIED STATEMENT OF CASH FLOWS

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

### Reclassified statement of cash flows

(million of €)	2019	2020
<b>Net profit</b>	<b>1,090</b>	<b>1,101</b>
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	527	<b>523</b>
- Net capital losses (capital gains) on asset sales and write-offs	8	<b>13</b>
- Dividends, interest and income taxes	552	<b>504</b>
Change in net working capital	(264)	<b>(224)</b>
Dividends, interest and income taxes collected (paid)	(427)	<b>(320)</b>
<b>Cash inflow from operating activities</b>	<b>1,486</b>	<b>1,597</b>
Technical investments	(954)	<b>(1,166)</b>
Technical divestments	0	<b>2</b>
Acquisition of subsidiaries and businesses, net of liquidity acquired	(41)	<b>(30)</b>
Equity investments	12	<b>(193)</b>
Change in non current financial assets	(5)	<b>(298)</b>
Other changes relating to investment activities	(16)	<b>53</b>
<b>Free cash flow</b>	<b>482</b>	<b>(35)</b>
Repayment of financial payables for leased assets	(6)	<b>(7)</b>
Change in current and non-current financial liabilities	1,285	<b>1,133</b>
Change in current financial assets		<b>(5)</b>
Equity cash flow (a)	(782)	<b>(893)</b>
<b>Net cash flow for the year</b>	<b>979</b>	<b>193</b>

(a) Includes cash flow and payment to shareholders of the dividend.


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### Change in net financial debt

(million of €)	2019	2020
<b>Free cash flow</b>	<b>482</b>	<b>(35)</b>
Financial payables and receivables from companies entering the consolidation scope	(47)	(25)
Change in financial payables for leased assets	(25)	(6)
Equity cash flow	(782)	(893)
Other changes	(3)	(5)
<b>Change in net financial debt</b>	<b>(375)</b>	<b>(964)</b>


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## RECONCILIATION OF THE RECLASSIFIED FINANCIAL STATEMENT WITH THE LEGALLY REQUIRED STATEMENTS

### Reclassified statement of financial position

(million of €)	31.12.2019			31.12.2020	
Items (Where not expressly stated, the component is taken directly from the the Statutory layout)	Reference to notes to consolidated financial statements	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
<b>Fixed capital</b>					
Property, plant and equipment			16,439		16,815
Non-current inventories - Compulsory inventories			363		363
Intangible assets and goodwill			990		1,125
Equity investments accounted for using the equity method			1,787		1,923
<i>Other financial assets, consisting of:</i>			44		421
- Minority equity investments accounted for at FVTOCI	(12)	39		112	
- Non current financial assets - current portion	(12)			1	
- Non current financial assets - non-current portion	(12)	3		306	
- Other financial assets	(12)	2		2	
<i>Net payables for investments, consisting of:</i>			(312)		(387)
- Trade payables for the purchase of fixed assets	(18)	(320)		(394)	
- Receivables for private contributions	(9)	8		7	
<b>Total fixed capital</b>			<b>19,311</b>		<b>20,260</b>
<b>Net working capital</b>					
Trade receivables			1,217		1,551
Current inventories			112		98
<i>Tax receivables, consisting of:</i>			35		93
- Current income tax assets	(11)	12		34	
- Other current tax assets	(13)	14		50	
- IRES receivables for the National Tax Consolidation Scheme with former parent ENI	(9)	9		9	
Trade payables			(487)		(639)
<i>Tax payables, consisting of:</i>			(35)		(10)
- Current liabilities for income taxes	(11)	(26)		(2)	
- Other current tax liabilities	(19)	(9)		(8)	
<i>Net deferred tax liabilities, made up of:</i>			(106)		(90)
- Deferred tax assets	(22)	23		23	
- Deferred tax liabilities	(22)	(129)		(113)	
Provisions for risks and charges			(713)		(798)
Market value of derivative financial instruments	(19)		(63)		(38)


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## Reclassified statement of financial position

(million of €)	31.12.2019			31.12.2020	
Items (Where not expressly stated, the component is taken directly from the the Statutory layout)	Reference to notes to consolidated financial statements	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
<i>Other assets, consisting of:</i>			185		187
- Other receivables from the Energy and Environmental Services Fund (CSEA)	(9)	124		79	
- Advances to suppliers	(9)	6		6	
- Other	(9)	12		24	
- Other assets	(13)	43		78	
<i>Assets and liabilities from regulated activities, consisting of:</i>			(145)		(111)
- Regulated activities	(13)	2		19	
- Regulated liabilities	(19)	(147)		(130)	
<i>Other liabilities, consisting of:</i>			(1,094)		(1,104)
- Other payables	(18)	(994)		(996)	
- Other liabilities	(19)	(100)		(108)	
<b>Total Net working capital</b>			<b>(1,094)</b>		<b>(861)</b>
Provision for employee benefits			(46)		(40)
<b>Non-current assets held for sale and directly associated liabilities consisting of:</b>			<b>10</b>		
- Non-current assets held for sale			10		
<b>NET INVESTED CAPITAL</b>			<b>18,181</b>		<b>19,359</b>
Shareholders equity pertaining to shareholders of the parent company			6,255		6,469
Minority interests			3		3
<b>Total shareholders' equity</b>			<b>6,258</b>		<b>6,472</b>
<b>Net financial debt</b>					
<i>Financial liabilities, consisting of:</i>			14,774		15,937
- Non-current financial liabilities		10,643		10,332	
- Current financial liabilities		4,131		5,605	
<i>Financial receivables and cash and cash equivalents, composed of:</i>			(2,851)		(3,050)
- Cash and cash equivalents		(2,851)		(3,044)	
- Current financial assets	(12)			(5)	
- Other	(12)			(1)	
<b>Total net financial debt</b>			<b>11,923</b>		<b>12,887</b>
<b>COVERAGE</b>			<b>18,181</b>		<b>19,359</b>


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## Reclassified statement of cash flows and reconciliation with the Statutory layout

(million of €)	2019		2020	
	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
<b>PROFIT FOR THE YEAR</b>		<b>1,090</b>		<b>1,101</b>
<i>Adjusted for:</i>				
Amortisation, depreciation and other non-monetary components:		527		<b>523</b>
- Amortisation, depreciation and losses due to impairment of property, plant and equipment and intangible assets	752		<b>773</b>	
- Share of profit or losses of equity investments accounted for using the equity method	(218)		<b>(247)</b>	
- Other (income) expenses from equity investments	4		<b>(2)</b>	
- Change in provision for employee benefits	(18)		<b>(9)</b>	
- Other changes	7		<b>8</b>	
Net capital losses (capital gains) on asset sales, write-offs and eliminations		8		<b>13</b>
Dividend, interest and income taxes:		552		<b>504</b>
- Dividends	(2)		<b>0</b>	
- Interest income	(11)		<b>(25)</b>	
- Interest expense	190		<b>159</b>	
- Income taxes	375		<b>370</b>	
Change in net working capital:		(264)		<b>(224)</b>
- Inventories	(43)		<b>(23)</b>	
- Trade receivables	38		<b>(308)</b>	
- trade payables	(28)		<b>138</b>	
- Change in provisions for risks and charges	6		<b>13</b>	
- Other assets and liabilities	(237)		<b>(44)</b>	
Dividends, interest and income taxes collected (paid):		(427)		<b>(320)</b>
- Dividends collected	134		<b>241</b>	
- Interest collected	11		<b>22</b>	
- Interest paid	(185)		<b>(155)</b>	
- Income taxes (paid) received	(387)		<b>(428)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,486</b>		<b>1,597</b>


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## Reclassified statement of cash flows and reconciliation with the Statutory layout

(million of €)	2019		2020	
	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Technical investments:		(954)		(1,166)
- Property, plant and equipment	(852)		(1,001)	
- Intangible assets	(102)		(165)	
Technical divestments:		0		2
- Property, plant and equipment	0		2	
Acquisition of subsidiaries and businesses, net of liquidity acquired		(41)		(30)
- Acquisition of subsidiaries, net of liquidity acquired	(41)		(30)	
Equity investments		12		(193)
- Investments	(24)		(288)	
- Divestments	36		95	
Non current financial assets		(5)		(298)
- Assumption of non current financial assets	(5)		(332)	
- Repayments of non current financial assets	0		34	
Other changes relating to investment activities:		(16)		53
- Change in net payables for investments	(16)		53	
<b>FREE CASH FLOW</b>		<b>482</b>		<b>(35)</b>
Change in financial payables:		1,279		1,121
- Increase in non current financial liabilities	2,877		1,684	
- Decrease in non current financial liabilities	(2,070)		(2,091)	
- Increase/(decrease) in short-term financial liabilities	478		1,540	
- Decrease in financial payables for leased assets	(6)		(7)	
- Change in current financial receivables			(5)	
Equity cash flow		(782)		(893)
- Dividends paid	(746)		(779)	
- Acquisition of treasury shares	(39)		(114)	
- Change in minority interests in subsidiaries that do not entail a change of control	3		0	
<b>NET CASH FLOW FOR THE YEAR</b>		<b>979</b>		<b>193</b>