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17) CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Current financial liabilities inclusive of the current portion of long term liabilities, for a total of 5,605 million euros (4,131 million euros at 31 December 2019) and non-current financial liabilities of 10,332 million euros (10,643 million euros at 31 December 2019) break down as follows:

(million €)	31.12.2019						31.12.2020					
	Current financial liabilities			Non-current financial liabilities			Current financial liabilities			Non-current financial liabilities		
	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion	Total debt	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion	Total debt
Bond loans		1,439	3,800	3,809	7,609	9,048		308	4,012	3,820	7,832	8,140
Bank loans	455	230	1,798	1,221	3,019	3,704	1,501	1,287	1,384	1,101	2,485	5,273
Euro Commercial Paper - ECP	2,001					2,001	2,503					2,503
Financial payables for leased assets		6	11	4	15	21		6	13	2	15	21
Total liabilities	2,456	1,675	5,609	5,034	10,643	14,774	4,004	1,601	5,409	4,923	10,332	15,937

17.1 SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities, 4,004 million euros (2,456 million euros at 31 December 2019) mainly include to the use of floating rate uncommitted bank credit lines (1,500 million euros) and the issuing of unsecured short-term bonds (Euro Commercial Papers) issued by the money market and placed with institutional investors (2,503 million euros)²⁴. The increase compared to 31 December 2019 of 1,548 million euros was essentially due to higher net utilisation of uncommitted credit lines (1,047 million euros) and the issue of new short-term unsecured securities (502 million euros, net of redemptions).

There are no short-term financial liabilities denominated in currencies other than the euro.

The weighted average interest rate on short-term financial liabilities was -0.15% (-0.11% for 2019).

The market value of short-term financial liabilities is the same as their book value.

²⁴ At the date of this document, the Euro Commercial Paper programme had been used for the entire amount of 2.5 billion.


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17.2 LONG-TERM FINANCIAL LIABILITIES AND SHORT-TERM PORTIONS OF LONG-TERM FINANCIAL LIABILITIES

Long-term financial liabilities, including the short-term portion of long-term liabilities, amounted to a total of 11,933 million euros (12,318 million euros at 31 December 2019) relate to bond loans (8,140 million euros), bank loans (3,772 million euros) and financial payables for leased assets (21 million euros).

The breakdown of bond loans, indicating the issuing company, the year of issue, the currency, the average interest rate and the maturity, is provided in the following table.

(million €)								
Issuing company	Issued (year)	Currency	Nominal amount	Adjustments ^(a)	Balance at 31.12.2020	Rate (%)	Maturity (year)	
Euro Medium Term Notes (EMTN)								
Snam S.p.A. ^{(b) (c) (d) (e) (f)}	2012	€	582	6	588	5.25	2022	
Snam S.p.A. ^{(c) (d) (e)}	2013	€	259	8	267	3.375	2021	
Snam S.p.A. ^{(c) (d) (e) (f)}	2014	€	385	10	395	3.25	2024	
Snam S.p.A. ^{(c) (d) (e) (g) (f)}	2014	€	190	3	193	1.5	2023	
Snam S.p.A. ^{(c) (d) (e) (h) (f)}	2015	€	167	(11)	156	1.375	2023	
Snam S.p.A.	2016	€	1,250	(4)	1,246	0.875	2026	
Snam S.p.A. ^{(e) (f)}	2017	€	339	3	342	1.2500	2025	
Snam S.p.A. ^{(i) (f)}	2017	€	151	0	151	0.6+eur3m	2022	
Snam S.p.A. ^{(i) (f)}	2017	€	106	0	106	0.836	2024	
Snam S.p.A.	2017	€	650	(2)	648	1.375	2027	
Snam S.p.A. ^{(i) (e) (f)}	2018	€	522	(2)	520	1	2023	
Snam S.p.A.	2019	€	500	(1)	499	1.25	2025	
Snam S.p.A.	2019	€	250	2	252	1.63625	2030	
Snam S.p.A.	2019	€	700	(4)	696		2024	
Snam S.p.A.	2019	€	600	(10)	590	1	2034	
Snam S.p.A.	2020	€	500	0	500	0.75	2030	
Snam S.p.A.	2020	€	600	(4)	596		2028	
Total Euro Medium Term Notes (EMTN)			7,751	(6)	7,745			
Convertible bonds								
SNAM S.p.A.	2017	€	400	(5)	395		2022	
Total Bond loans			8,151	(11)	8,140			

(a) Include: (i) the issue premium/discount; (ii) the interest accrual.

(b) Bond loans subject to the 2016 liability management operation.

(c) Bond loans subject to the 2017 liability management operation.

(d) Bond loans subject to the 2018 liability management operation.

(e) Bond loans subject to the 2019 liability management operation.

(f) Bond loans subject to the 2020 liability management operation.

(g) Bond loan tapped in January 2015 for an incremental amount of 250 million euros, with the same interest rate and maturity as the original placement.

(h) Bond loans subject to the 2015 liability management operation.

(i) Floating-rate bond loan, converted into fixed-rate through an interest rate swap (IRS) hedging derivative.

(l) Bond loan tapped in November 2018 for an incremental amount of 300 million euros, with the same interest rate and maturity as the original placement.


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Bond loans (8,140 million euros) decreased by 908 million euros compared to 31 December 2019 mainly as a result of: (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, for a nominal amount of 526 million euros; (iii) the repayment of a fixed rate bond loan maturing on 25 October 2020 for 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 euros²⁵, including the fees paid to intermediaries and accrued interest. These changes were partially offset by the issue: (i) of a fixed-rate Transition Bond for a nominal amount of 500 million euros maturing on 17 June 2030; (ii) of a fixed-rate Transition Bond for a nominal amount of 600 million euros maturing on 7 December 2028.

Payables for bank loans (3,772 million euros) mainly relate to maturing loans (term loans), of which 1,620 million euros concern European Investment Bank (EIB) funding.

There are no other long-term bank loans denominated in currencies other than the euro.

The weighted average interest rate on bank loans used (excluding loan contracts with the EIB) was 0.2%²⁶ (no change compared to 2019).

There were no breaches of loan agreements as at the reporting date.

The market value of long term financial debts, including the short-term portion totals 12,496 million euros²⁷ (12,755 million euros at 31 December 2019).

Snam also has unused committed credit lines totalling 3.2 billion euros.

Financial covenants and negative pledge commitments

At 31 December 2020, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other lending institutions, with the exception of a bank loan (totalling 6.1 million euros) relating to one subsidiary that entered the scope of consolidation in October 2020, assisted by a pledge on financial instruments for a value of around 1 million euros.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for 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, resulting in additional costs and/or liquidity issues.

At 31 December 2020, the financial debt subject to these restrictive clauses amounted to approximately 3.8 billion euros.

²⁵ For more information on the operation, see the section "Performance 2020 – Main events" in the Directors' Report.

²⁶ It excludes the depreciation of the upfront fees.

²⁷ It includes bond loans, whose value is estimated on the basis of the market listings at 31 December 2020, and financial liabilities to banks, all at floating rate, whose corresponding market value is taken as the nominal repayment value.


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Bond loans issued by Snam as at 31 December 2020, with a nominal value of approximately 8.2 billion euros, mainly referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

17.3 BREAKDOWN OF NET FINANCIAL DEBT

The breakdown of net financial debt, showing related-party transactions, is provided in the following table:

(million €)	31.12.2019			31.12.2020		
	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	2,851		2,851	3,044		3,044
B. Securities available for sale and held to maturity				1		1
C. Cash (A + B)	2,851		2,851	3,045		3,045
D. Short-term financial receivables				5		5
E. Short-term financial liabilities to banks	455		455	1,501		1,501
F. Long-term financial liabilities to banks	230	3,019	3,249	1,287	2,485	3,772
G. Bond loans	1,439	7,609	9,048	308	7,832	8,140
H. Short-term financial liabilities to related parties						
I. Long-term financial liabilities to related parties						
L. Other short-term financial liabilities	2,001		2,001	2,503		2,503
M. Other long-term financial liabilities (*)	6	15	21	6	15	21
N. Gross financial debt (E + F + G + H + I + L + M)	4,131	10,643	14,774	5,605	10,332	15,937
O. Net financial debt (N - C - D)	1,280	10,643	11,923	2,555	10,332	12,887

(*) This item relates to financial payables for leased assets recognised in accordance with IFRS 16 "Leases".


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17.4 RECONCILIATION OF NET FINANCIAL DEBT

In compliance with the provisions of IAS 7 “Statement of Cash Flows”, we provide below the cash and non-cash changes to liabilities arising from financing activities and to assets included in net financial debt.

(million €)	31.12.2019	Changes in cash flow	Changes without impact on cash flow			31.12.2020
			Impact of IFRS 16	Change in the scope of consolidation	Other changes	
Cash and cash equivalents (*)	2,851	193				3,044
Securities available for sale and held to maturity				1		1
Short-term financial receivables		5				5
Liquidity and financial receivables	2,851	198		1		3,050
Short-term financial liabilities (*)	2,456	1,540		8		4,004
Long-term financial payables (**)	12,297	(407)		17	5	11,912
Financial payables for leased assets	21	(7)	6	1		21
Gross financial debt	14,774	1,126	6	26	5	15,937
Net financial debt	11,923	928	6	25	5	12,887

(*) Including cash and cash equivalents resulting from changes in the scope of consolidation.

(**) Includes the current portion of long term financial payables.


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18) TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables, which amount to 2,029 million euros (1,801 million euros at 31 December 2019) comprise the following:

(million €)	31.12.2019	31.12.2020
Trade payables for the purchase of goods and services	487	639
Trade payables for the purchase of fixed assets	320	394
Total trade payables	807	1,033
Payables to the Energy and Environmental Services Fund (CSEA)	597	575
Interim dividend	313	326
Payables to employees	35	38
Payables to pension and social security institutions	19	21
Consultants and professionals	8	9
Others	22	27
Total other payables	994	996
Total trade payables and other payables	1,801	2,029

Trade payables for the purchase of goods and services (639 million euros; 487 million euros at 31 December 2019) relate mainly to the transportation (465 million euros, including 378 million euros relating to gas balancing activities), storage (22 million euros) and regasification (9 million euros) business segments.

Trade payables for the purchase of fixed assets (394 million euros; 320 million euros at 31 December 2019) relate mainly to the natural gas transportation (302 million euros) and storage (47 million euros) business segments.

Payables to the CSEA (575 million euros) mainly relate to accessory tariff components applied to transportation service users.

The interim dividend (326 million euros) refers to payable to shareholders following the 2020 interim dividend of 0.0998 euros per share, approved on 4 November 2020. The interim dividend was paid from 20 January 2021.

Note 36 "Related-party transactions" contains information about payables due to related parties.

The fair value measurement of trade payables and other payables has no material impact given the short period of time between when the payable arises and its due date and the contractual terms and conditions.


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19) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities, amounting to 70 million euros (106 million euros at 31 December 2019), and other non-current liabilities, amounting to 214 million euros (213 million euros at 31 December 2019), break down as follows:

(million €)	31.12.2019			31.12.2020		
	Current	Non-current	Total	Current	Non-current	Total
Regulated liabilities	49	98	147	48	82	130
Market value of derivative financial instruments	7	56	63	4	34	38
Other current tax liabilities:	9		9	8		8
- IRPEF withholdings for employees	7		7	7		7
- VAT	1		1			
- Other taxes	1		1	1		1
Other liabilities	41	59	100	10	98	108
- Security deposits		47	47		92	92
- Prepaid revenue and income	26	6	32	5	2	7
- Prepaid contributions for connecting to the transportation network		6	6		4	4
- Other	15		15	5		5
Total other current and non-current liabilities	106	213	319	70	214	284

Liabilities from regulated activities, amounting to 130 million euros (147 million euros at 31 December 2019), relate to:

- transportation segment (101 million euros) mainly made up of penalties charged to users that exceeded the capacity committed, to be repaid to the system through tariff adjustments. The current and non-current portions amount to 49 and 52 million euros respectively (49 and 69 million euros respectively at 31 December 2019);
- the storage segment (29 million euros) due to payments for balancing and stock replenishment, to be returned to service users pursuant to Resolution No. 50/06 of the Electricity and Gas Authority, corresponding entirely to the non-current share (unchanged at 31 December 2019).


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The market value of derivatives at 31 December 2020 is as follows:

(million €)	31.12.2019			31.12.2020		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Market value of derivative financial instruments	7	56	63	4	34	38
Cash flow hedging derivative financial instruments:						
- Fair value interest rate hedging derivatives	6	56	62	3	34	37
- Accrued expenses on derivatives	1		1	1		1

The liabilities arising from measurement at market value of derivative financial instruments used as cash flow hedges (38 million euros) refer to:

- an Interest Rate Swap “Forward Start” derivative with Mandatory Early Termination clause to cover the risk of interest rate fluctuations of long-term bond issues scheduled for FY 2021, for a total market value of 30 million euros;
- four Interest Rate Swap derivatives with a total market value of 8 million euros. Interest Rate Swaps are used to hedge the risk of interest rate fluctuations on bond loans and bank loans at floating rates. Through derivatives, floating rate liabilities are converted into an equivalent fixed rate liabilities.




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The main characteristics of the derivatives in question are summarised in the tables below:

Interest Rate Swap - Forward Start

Type of derivative (million €)	Contract start date	Maturity date	Early extin- guishment date	Residual term (years)	Snam pays	Snam receives	Nominal value 31.12.2019	Nominal value 31.12.2020	Market value 31.12.2019	Market value 31.12.2020
IRS - Forward start	15.04.2021	15.04.2028	15.07.2021	7.3	1.3130%	6 month Euribor	250	250	20	30
IRS - Forward start ^(*)	29.10.2020	29.10.2027	29.01.2021	6.8	1.4225%	6 month Euribor	250		23	

(*) Derivative closed on 30 November 2020.

Interest Rate Swap

Type of derivative (million €)	Contract start date	Maturity date	Residual term (years)	Snam pays	Snam receives	Nominal value 31.12.2019	Nominal value 31.12.2020	Market value 31.12.2019	Market value 31.12.2020
Interest Rate Swap ^(*)	02.08.2017	02.08.2024	3.6	0.4360%	3 month Euribor	350	106	11	4
Interest Rate Swap	31.07.2018	31.07.2022	1.6	0.1250%	3 month Euribor	150	150	2	2
Interest Rate Swap	30.07.2018	31.10.2021	0.8	0.0570%	3 month Euribor	250	250	2	1
Interest Rate Swap	31.10.2018	31.10.2021	0.8	-0.0440%	3 month Euribor	250	250	1	1
Interest Rate Swap ^(**)	21.02.2017	21.02.2022	1.1	0.0408%	3 month Euribor	300		3	

(*) The derivative was impaired as part of the Liability Management operation, which closed in December 2020.

(**) The derivative was closed as part of the Liability Management operation, which closed in December 2020.

The fair value hedging derivatives and their classification as a current or non-current asset/liability have been determined using generally accepted financial measurement models and market parameters at the end of the year.

Information on the risks hedged by the derivatives and on policies adopted by the Company to hedge against these risks is provided in Note 26 - Management of financial risks".

Other current tax liabilities of 8 million euros (9 million euros at 31 December 2019) mainly relate to IRPEF (personal income tax) withholdings for employees (7 million euros).

Other liabilities (108 million euros; 100 million euros at 31 December 2019) mainly include: (i) the security deposits (92 million euros; 47 million euros at 31 December 2019) paid as collateral by the users of the balancing service, pursuant to resolution ARG/gas 45/11 (ii) the liabilities for prepaid revenue and income (7 million euros) essentially regarding the prepaid fee for the concession to use the fibre optic cables given to a telecommunications operator (4 million euros, including 2 million euros as the current portion and 2 million euros as the non-current portion).


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20) PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges, which amount to 798 million euros (713 million euros at 31 December 2019) are analysed in the table below:

31.12.2019							
(million €)	Opening balance	Provisions	Increases due to passing of time	Utilisations		Other changes	Final balance
				Against charges	For excess		
Provision for site dismantlement and restoration	607		7	(9)		42	647
Provision for litigation	19	3			(4)		18
Provision for tax litigation	6	1			(1)		6
Other provisions	33	21		(12)			42
Total	665	25	7	(21)	(5)	42	713

31.12.2020							
(million €)	Opening balance	Provisions	Increases due to passing of time	Utilisations		Other changes	Final balance
				Against charges	For excess		
Provision for site dismantlement and restoration	647		6	(15)	(1)	73	710
Provision for litigation	18	1		(1)	(3)		15
Provision for tax litigation	6			(1)	(1)		4
Other provisions	42	40		(13)			69
Total	713	41	6	(30)	(5)	73	798

Provision for dismantling and restoration site 710 million euros (647 million euros at 31 December 2019) includes the estimated (discounted) costs that will be incurred for the removal of facilities and the restoration of sites in the natural gas storage (551 million euros) and transportation²⁸ (154 million euros) business segments. The discounting for the provision for dismantling and restoration site was carried out using the corresponding to the euro area Corporate Bond returns with an "AA" rating. The rate thus determined was between 0.13% and 0.56%.

The last deadline in chronological order for disbursements related to the dismantling and restoration storage sites refers to the Bordolano concession, in 2041.

²⁸ The costs refer to the estimated expenses for the removal of the connection works to the Livorno LNG regasification terminal - OLT Offshore LNG Toscana.


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The other changes (73 million euros) refer to the effects of the reduction in expected discounting rates and the upward revision of the estimated dismantling and restoration site costs that mainly refer to the storage sector.

The provision for litigation (15 million euros; 18 million euros as at 31 December 2019) included costs which the Company has estimated it will incur for existing lawsuits.

The risk provision for tax disputes (4 million euros; 6 million euros at 31 December 2019) contains the estimate of the probable expenses in the event of levying of assessments and pursuant to tax disputes.

The other provisions for risks and charges (69 million euros; 42 million euros at 31 December 2019) mainly refer to: (i) charges that the Group's insurance company Gasrule Insurance DAC expects to incur for insured claims (21 million euros); (ii) the provision for voluntary redundancies (12 million euros); (iii) the provision relating to the estimate of probable charges of a fiscal and financial nature for facts and/or events already existing at 31 December 2020 (17 million euros).

The sensitivity²⁹ of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate without any change in the other assumptions.

(million €)	Change in discount rate	
	10% reduction	10% increase
Effect on net obligation at 31.12.2020		
Provision for site dismantlement and restoration	6	(6)

²⁹ For the purposes of sensitivity, only provisions for risks and charges showing a significant accretion discount were taken into account.


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21) PROVISION FOR EMPLOYEE BENEFITS

Provision for employee benefits, for 40 million euros (46 million euros at 31 December 2019), can be broken down as follows:

(million €)	31.12.2019	31.12.2020
Employee severance indemnity (TFR)	25	25
Supplementary Health Insurance for Managers of Eni companies (FISDE)	4	6
Isopension Fund	12	6
Other liabilities - employee benefits related to seniority bonuses	3	3
Other liabilities - deferred monetary incentive plans (IMD) and long-term incentive plans (ILT)	2	
Total provision for employee benefits	46	40

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that 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 that 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 remain a defined-benefit plan to be valued using actuarial methods.

The FISDE includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current³⁰ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group³¹ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions by member companies; (ii) contributions paid by Shareholders for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

³⁰ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

³¹ The fund provides the same benefits for Snam Group executives.

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The early retirement fund refers to expenses incumbent upon the employer from application of the implementation agreement, relating to the early retirement instrument for employees regulated pursuant to Article 4 paragraphs 1-7 of Law 92/2012 (the "Fornero Law").

Deferred monetary 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 Snam'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 monetary incentive plans, involve the granting and payment, of a variable monetary bonus tied to a measure of company performance. Obtaining the benefit depends on 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. From 2017, in place of the long-term monetary incentive plans (IMD and ILT) a new share-based long-term incentive plan (share ILT) was introduced³², the recipients of which was extended in 2018.

Seniority bonuses are benefits paid upon reaching a minimum service period at the company and are paid in kind in the form of goods and/or services.

³² For more information on the characteristics of this plan, refer to the "Other information" paragraph of the Directors' Report.


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The composition and changes in liabilities for employee benefits, determined by applying actuarial methods, are as follows:

(million €)	31.12.2019					31.12.2020				
	TFR	FISDE	Isopen- sion Fund	Other liabilities	Total	TFR	FISDE	Isopen- sion Fund	Other liabilities	Total
Current value of the obligation at the beginning of the year	26	3	25	10	64	25	4	12	5	46
Costs related to current services (recognised in "personnel costs")		1	(6)		(5)		1			1
Interest cost (recorded under "financial expenses")	1				1					
Actuarial (gains)/losses resulting from: (recorded under other components of the comprehensive income statement)	1		(1)	(1)	(1)		1			1
- corrections based on past experience	1		(1)	(1)	(1)		1			1
Benefits paid	(3)		(6)	(4)	(13)	(2)		(6)	(2)	(10)
Change in the scope of consolidation						2				2
Current value of the obligation at the end of the year	25	4	12	5	46	25	6	6	3	40

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.

	31.12.2019			31.12.2020		
	TFR	FISDE	Other liabilities	TFR	FISDE	Other liabilities
Discount rate (%)	0.9	0.9	0.9	0.6	0.6	0.6
Inflation rate (%) (*)	0.9	0.9	0.9	0.7	0.7	0.7

(*) With reference to other liabilities, the rate refers only to seniority bonuses.

The discount rate adopted was determined by considering the yields on bonds issued by Eurozone companies with AA ratings.


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The employee benefit plans recognised by Snam are subject, in particular, to interest rate risk, as 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. It should also be noted that any changes relating to mortality do not have a significant effect on liability. The sensitivity of the discount rate represents the change in 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.

(million €)	Change in discount rate	
	Reduction of 0.5%	Increase of 0.5%
Effect on net obligation at 31.12.2020		
Employee severance indemnity		2
FISDE		(1)

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(million €)	31.12.2019					31.12.2020				
	TFR	FISDE	Isopen- sion Fund	Other liabilities	Total	TFR	FISDE	Isopen- sion Fund	Other liabilities	Total
Within the next financial year	2		4	2	8	2		5		7
Within 5 years	6		2		8	6		1	1	8
Over 5 and up to 10 years	9	1		1	11	9	1		1	11
More than 10 years	8	3	6	2	19	8	5		1	14
	25	4	12	5	46	25	6	6	3	40


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The weighted average maturity of obligations for employee benefit plans is shown below:

	31.12.2019				31.12.2020			
	TFR	FISDE	Isopen- sion Fund	Other liabilities	TFR	FISDE	Isopen- sion Fund	Other liabilities
Weighted average duration (years)	9	23	1	6	9	23		11

22) DEFERRED TAX LIABILITIES/ASSETS

Deferred tax liabilities, amount to 113 million euros (129 million euros at 31 December 2019) and deferred tax assets amount to 23 million euros (unchanged from 31 December 2019).

(million €)	31.12.2019	31.12.2020
Gross deferred tax liabilities	548	568
Deferred tax assets which can be offset	(419)	(455)
Deferred tax liabilities	129	113
Gross deferred tax assets	(442)	(478)
Deferred tax liabilities which can be offset	419	455
Deferred tax assets	(23)	(23)


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Deferred tax liabilities and assets are analysed below, based on the nature of the most significant temporary differences:

(million €)	31.12.2020								
	Opening balance	Provisions	Utilisations	Impact recognised in shareholders' equity	Other changes	Change in the scope of consolidation	Final balance	of which: IRES	of which: IRAP
Deferred tax liabilities	548	5	(17)		21	11	568	546	22
Depreciation, amortisation and impairment carried out for tax purposes only	408		(14)				394	394	
Site dismantling and restoration	94				20		114	98	16
Revaluations of tangible assets	21		(1)			11	31	28	3
Capitalisation financial expense	7		(1)				6	5	1
Write-down of excess receivables	3						3	3	
Other temporary differences	15	5	(1)		1		20	18	2
Deferred tax assets	(442)	(31)	18	(1)	(22)		(478)	(436)	(42)
Site dismantling and restoration	(182)	(1)	4		(20)		(199)	(170)	(29)
Non-deductible depreciation and amortisation	(151)	(24)	3				(172)	(170)	(2)
Provisions for risks and charges and other non-deductible provisions	(51)	(4)	3				(52)	(45)	(7)
Grants and contractual contributions	(20)		1				(19)	(16)	(3)
Employee benefits	(10)		4				(6)	(6)	
Other temporary differences	(28)	(2)	3	(1)	(2)		(30)	(29)	(1)
Net deferred tax liabilities	106	(26)	1	(1)	(1)	11	90	110	(20)

As required by IAS 1 "Presentation of Financial Statements", deferred tax liabilities and assets are considered non-current liabilities and assets, respectively.

Note 33 "Income taxes" provides information about taxes for the year.

With reference to the Group companies, it should be noted that Snam Rete Gas, Gnl, Stogit and Renerwaste (hereinafter the Companies) intend to make use of the tax realignment rules introduced by sub-paragraph 8, article 110, Decree Law no. 104 of 14 August 2020 converted, with amendments, by Law no. 126 of 13 October 2020.


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Specifically, the Companies intend to realign the (lower) tax value to the (higher) carrying value existing at 31 December 2020 with respect to certain assets in their respective financial statements ended 31 December 2019.

In this case, the companies must pay the substitute tax on IRES and IRAP of 3% on the higher carrying value compared to the tax value, in a maximum of three equal instalments, the first of which must be paid by 30 June 2021, and indicate their exercising of the option for this tax regime in the tax return for the 2020 tax year.

With regard to the accounting effects in the event of realignment, the Companies shall recognise the substitute tax due in the 2021 financial statements and reverse the deferred tax provision allocated for the misalignment.

Lastly, these companies, by means of a shareholders' resolution to be passed by 31 December 2021, shall set up a specific reserve, subject to the regime of reserves in suspension of taxation, for an amount equal to the higher misaligned values net of the substitute tax.

23) SHAREHOLDERS' EQUITY

Shareholders' equity, which amounts to 6,472 million euros (6,258 million euros at 31 December 2019) breaks down as follows:

(million €)	31.12.2019	31.12.2020
Share capital	2,736	2,736
Treasury shares	(389)	(361)
Share premium reserve	746	611
Legal reserve	547	547
Cash flow hedge reserve	(62)	(67)
Reserve for defined-benefit plans for employees	(8)	(9)
Reserve for fair-value valuation of investments	5	48
Consolidation reserve	(674)	(674)
Other reserves	64	39
Total reserves	618	495
Retained earnings	2,513	2,824
Interim dividend	(313)	(326)
Profit for the year	1,090	1,101
Total retained earnings	3,290	3,599
Equity attributable to Parent Company shareholders	6,255	6,469
Equity of minority interests	3	3
Total shareholders' equity	6,258	6,472


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23.1 SHARE CAPITAL

The share capital at 31 December 2020 consisted of 3,360,857,809 shares without nominal value (3,394,840,916 without nominal value at 31 December 2019), with a total value of 2,735,670,475.56 (unchanged from 31 December 2019). The change of share capital follows the elimination of 33,983,107 treasury shares in the portfolio with no nominal value, with no share capital reduction, and consequent amendment of art. 5.1 of the company Bylaws approved by the Snam Shareholders' Meeting, held in extraordinary session on 18 June 2020 and completed on 6 July 2020.

23.2 TREASURY SHARES

Negative reserve holds a purchase cost of no. 90,642,115 treasury shares as at 31 December 2020 (102,412,920 as at 31 December 2019), as a total amount of approximately 361 million euros (389 million euros at 31 December 2019). The decrease of 28 million euros compared to 31 December 2019 was primarily due to: (i) the cancellation of 33,983,107 treasury shares held by the company, by the Extraordinary Shareholders' Meeting of 18 June 2020 completed on 6 July 2020 (approximately 135 million euros), (ii) the allocation of shares to Snam executives under the 2017 Share Incentive Plan (1,511,461 shares), the vesting period of which expired in July 2020. These effects were partially offset by the purchase of 23,723,763 shares for an overall cost of approximately 114 million euros, essentially carried out in the context of the buyback programme approved by the Shareholders' Meeting of 2 April 2019, subsequently extended with a resolution of the same Shareholders' Meeting of 18 June 2020, following the revocation of the resolution of 2 April 2019, in relation to the part that remained unexercised.

Detailed information on treasury shares and long-term share-based incentive plans are shown in the "Other information" section of Directors' Report, to which reference should be made.

23.3 RESERVES

Share premium reserve

The share premium reserve at 31 December 2020 stood at 611 million euros (746 million euros at 31 December 2019). The reduction of 135 million euros is due to the use of part of the reserve following the cancellation of 33,983,107 treasury shares in the portfolio with no share capital reduction, approved by the Extraordinary Shareholders' Meeting held on 18 June 2020 and completed on 6 July 2020.

Legal reserve

The legal reserve amounted to 547 million euros at 31 December 2020 (unchanged at 31 December 2019) and has already reached one-fifth of the share capital as required by Article 2430 of the Italian Civil Code.


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Cash flow hedge reserve

The fair value reserve for cash flow hedge financial instruments (-67 million euros, -62 million euros at 31 December 2019); includes the fair value measurement of derivative instruments, net of related tax effects, on 4 Interest Rate Swaps (IRS) and 1 Forward start Interest Rate Swap, illustrated in Note 19 "Other current and non-current liabilities".

The changes in the reserve during the course of the year are shown below:

(million €)	Gross reserve	Tax effect	Net reserve
Reserve at 31.12.2019	(81)	19	(62)
Changes in 2020	(6)	1	(5)
Reserve at 31.12.2020	(87)	20	(67)

Reserve for defined-benefit plans for employees

At 31 December 2019, the reserve for remeasurement of employee benefit plans of -9 million euros (-8 million euros at 31 December 2019) included actuarial losses, net of the relative tax effect, recognised under other components of the comprehensive income statement pursuant to IAS 19.

Reserve for fair-value valuation of investments

The fair value reserve as at 31 December 2020 (48 million euros; 5 million euros as at 31 December 2019) includes the change in fair value, net of tax effects of minority interests that were designated as accounted for FVTOCI upon initial recognition ("fair value recognized through other comprehensive income"). For further details, see note 12 "Current and non-current financial assets".

Consolidation reserve

The consolidation reserve (-674 million euros; unchanged from 31 December 2019) recognised in 2009, relates to the value arising from the difference between the purchase cost of the Stogit investment and the related shareholders' equity attributable to the group at the date of completion of the transaction, as part of a business combination under common control (BCUCC) transaction carried out in 2009 with the former parent company Eni.

Other reserves

Other reserves of 39 million euros (64 million euros as at 31 December 2019) mainly refer to the portion of the other elements of the comprehensive



income statement of equity investments accounted for using the equity method.

23.4 RETAINED EARNINGS

Retained earnings include:

- profits relating to previous years, which amounted to 2,824 million euros (2,513 million euros at 31 December 2019); the increase of 311 million euros is due to the allocation of the residual profit for the 2019 financial year, after the distribution of dividends;
- the interim dividend of 326 million euros, equal to 0.0998 euros per share, was approved on 4 November 2020 by the Board of Directors pursuant to Article 2433-bis, paragraph 5 of the Italian Civil Code. The interim dividend was paid out as of 20 January 2021, with an ex-coupon date of 18 January 2021 and a record date of 19 January 2021;
- profit for the 2020 financial year of 1,101 million euros.

23.5 DIVIDENDS DECLARED AND DISTRIBUTED AND DIVIDENDS TO BE DISTRIBUTED

On 28 April 2020, the Snam S.p.A. Shareholders' Meeting approved the distribution of the 2019 ordinary dividend of 0.2376 euros per share, including 0.095 euros per share for an amount of 313 million euros already distributed by way of an interim dividend. The balance of the dividend of 0.1426 euros per share, for a sum of 466 million euros, was paid from 24 June 2020, with an ex-dividend date of 22 June 2020 and a record date of 23 June 2020.

In its meeting of 17 March 2021, the Board of Directors proposed to the Shareholders' Meeting convened for 28 April 2021 the distribution of an ordinary dividend of 0.2495 euros per share, of which 0.0998 euros per share, for an amount of 326 million euros, was already distributed as the interim dividend. The dividend of 0.1497 euros per share will be paid out from 23 June 2021, with an ex-coupon date of 21 June 2021 and a record date of 22 June 2021.

24) BUSINESS COMBINATIONS

24.1 MIECI AND EVOLVE

On 5 October 2020, Snam, through its subsidiary Snam 4 Efficiency³³, completed the acquisition of a 70% stake in Miecì S.p.A.³⁴ and Evolve S.r.l., companies active in Italy in the energy efficiency sector, for a value of approximately 47 million euros (approximately 30 million euros net of cash acquired).

The operation was fully financed with own funds and cross put and call options are contractually envisaged on the interests of minority shareholders expiring in 2025. The activities of Miecì and Evolve employ approximately 140 people and generate an annual EBITDA of approximately 10 million euros.

The operation is a Business combination in compliance with IFRS 3, Business combinations. To this end, on the date that control was acquired, the individual assets acquired and the liabilities assumed at fair value were recognized, as provisional accounting from goodwill.

At the acquisition date, on the basis of the terms of the contract governing the exercise of the cross put and call options on minority interests of (equal to 30%) is regulated, the transaction was accounted for as if Snam had acquired control over 100% of Miecì and Evolve, without therefore recognising the minority interests.

The present value of the payments envisaged in the event of exercise of the options included in the determination of the consideration of the business combination including the earn out under the aforementioned option (roughly 26 million euros).

³³ In January 2021, CDP Equity completed the transaction by which it acquired a 30% stake in Snam 4 Efficiency. At the same time, its name was changed to Renovit, which is now 70% owned by Snam and 30% by CDP Equity.

³⁴ Includes the subsidiary T.Lux S.r.l.


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The accounting effects of the business combination, in accordance with the provisions of IFRS 3 - "Business combinations", are summarised below:

(million €)	Values after fair value allocation		
	Mieci	Evolve	Total
Fair value of consideration (including contingent considerations)	38	9	47
Exercise price of put/call option on minority interests	21	5	26
Total net identifiable assets at fair value	47	14	61
Goodwill	12		12

The main values of the assets and liabilities of Mieci and Evolve at the acquisition date are summarised below:

(million €)	Values after fair value allocation		
	Mieci	Evolve	Total
Current assets	41	18	59
Non-current Assets	40	21	61
Goodwill	12		12
Acquired assets	93	39	132
Current liabilities	12	8	20
Short-term financial liabilities	1	7	8
Long-term financial liabilities	11	6	17
Liabilities for employee benefits	1	1	2
Deferred tax liabilities	9	3	12
Acquired liabilities	34	25	59
Acquired shareholders' equity (including goodwill)	59	14	73

Goodwill (12 million euros) was determined as the difference between the fair value of the consideration, including the financial component relating to the purchase option of the minority interests and the fair value of the net assets acquired.

From the acquisition date (October 2020), Mieci and Evolve's contribution to consolidated net profit was 2 million euros. With reference to revenues, the contribution amounted to 19 million euros.


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25) GUARANTEES AND COMMITMENTS

The Group's guarantees and commitments are outlined below:

(million €)	31.12.2019	31.12.2020
Guarantees given, and to be given, to third parties on behalf of the associate company TAP	1,129	1,129
Commitments with regards to associate company TAP	234	113
Guarantees and commitments - associate company TAP	1,363	1,242
Guarantees given to third parties in the interest of subsidiaries	101	178
Group commitments for the purchase of goods and services	892	1,168

25.1 GUARANTEES AND COMMITMENTS – ASSOCIATE COMPANY TAP

Commitments with regards to associate company Trans Adriatic Pipeline AG (TAP) (113 million euros) refer to the residual commitment of Snam S.p.A., as shareholder and in connection with the project finance for the development of the gas pipeline by virtue of the share held, of 20%.

The commitment relates to the total costs of the project, including the financial expense in the realisation of the work resulting from the loan agreement, concluded by TAP, in December 2018. Note that following the finalisation of the project financing for TAP, around 75% of the cost of the project will be funded by lending institutions. Based on the project funding concluded, Snam S.p.A.'s commitment to TAP could gradually be reduced as a result of the provision to TAP of loans by lending institutions. During the construction and commissioning of the plant, the loan contract of the associate TAP will be, amongst others, accompanied by a first-demand guarantee (the "Debt Service Guarantee") up to a maximum pro-quota amount of Snam of 1,129 million euros.

At 31 December 2020 the effective value of the guarantee relating to the above loan stood at around 779 million euros. The guarantee will be released when certain requirements agreed with the lending institutions are verified, including, specifically, the completion of the verification procedures carried out in relation to the start-up of the plant. Once the project has been developed, during operation, a mechanism is instead envisaged in support of the repayment of the financial debt issued by shareholders (the "Debt Payment Undertaking"), which will activate where certain, specific conditions should arise. The structure of the project financing concluded for TAP includes several limitations for shareholders for transactions of this type, including: (i) a restriction on the possibility of TAP shares being freely available according to certain time frames; (ii) the pledging of the shares owned by Snam in TOP in favour of the lenders for the entire duration of the loan.



25.2 GUARANTEES GIVEN IN THE INTEREST OF SUBSIDIARIES

Guarantees given in the interest of subsidiaries (178 million euros; 101 million euros as at 31 December 2019) mainly relate to:

- i) guarantees given in favour of the Revenue Agency in the interest of the subsidiaries Stogit, GNL, Snam 4 Mobility and Enura (72 million euros);
- ii) indemnities issued in favour of third-parties to guarantee the execution of works (52 million euros);
- iii) pooling contracts with the subsidiaries Snam 4 Environment and IES Biogas (29 million euros);
- iv) bank guarantees in favour of the INPS to guarantee fulfilment of the obligations undertaken under the scope of provisions connected with early retirement, regulated by Article 4, paragraphs 1-7 of Law 92/2012 - Fornero Law (22 million euros).

25.3 GROUP COMMITMENTS FOR THE PURCHASE OF GOODS AND SERVICES

The commitments for the purchase of goods and services (1,168 million euros; 892 million as at 31 December 2019) regard the commitments made with suppliers for the purchase of tangible fixed assets and the supply of services relative to the investments being made.

25.4 OTHER UNEVALUATED COMMITMENTS AND RISKS

Other unrecognized commitments and risks refer mainly to commitments undertaken at the time of the closing of equity purchase transactions, which will continue to apply after the date of execution of those transactions.

As of 31 December 2020, commitments related to the following agreements remain in place:

- the contract through which Eni acquired Stogit, for commitments related to the occurrence of future events, such as (i) the possible different valuation of the gas owned by Stogit, compared to the valuation recognised by ARERA (Autorità di Regolazione per Energia Reti e Ambiente - Energy, Networks and Environment Regulatory Authority) which may emerge in certain contractually defined circumstances; (ii) the possible transfer of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held

by Stogit at the time of the share transfer that may become dedicated to mainly storage activities which are no longer regulated;

- Commitments arising from the contract through which Edison acquired Terminale GNL Adriatico S.r.l., for commitments related to the benefits that may result from the potential signing of new contracts to use the terminal's capacity;
- the Renerwaste S.r.l. purchase contract:
 - with Ecopartner, for commitments related to the occurrence of future events, including: (i) the expansion of the capacity of the production facilities, or (ii) the future exceeding of certain contractually defined parameters;
 - with Ladurner, Ladurner Ambiente and AB Invest, for commitments related to the fulfilment of certain conditions, by 2022, for the purchase of two SPVs to which authorisations will be granted for the construction of two further plants for the production of Biogas/Biomethane;
- the contract through which Iren acquired OLT Offshore LNG Toscana S.p.A. for commitments related to the occurrence of future events, including the exceeding of certain contractually defined parameters;
- the contract through which Femo Gas acquired Iniziative Biometano S.p.A., for commitments connected with the occurrence of future events, including (i) the exceeding in the future of certain contractually defined parameters and, (ii) the obtaining of part of the benefits.

25.5 GREENHOUSE GAS EMISSION ALLOWANCE SYSTEM - EMISSION TRADING SYSTEM

1 January 2013 was the start of the third regulatory period (2013-2020) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Legislative Decree 30 of 13 March 2013, as amended, and transposing Directive 2009/29/EC. The reduction of CO₂ emissions comes under the objectives set by the European Union in the 2020 Climate and Energy Package, approved in 2009, which involves reducing greenhouse gas emissions by 20% (compared with 1990 levels) by 2020, increasing the share of energy produced from renewable sources by 20% and improving energy efficiency by 20%. There are 22 Snam Group plants subject to the Emissions Trading regulation, 13 of which are Snam Rete Gas compression plants, 8 Stogit storage facilities and the GNL Italia gasification plant.


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In 2020, the free allocation for the Snam Group was 120,292 quotas, decrease by approximately 40 % compared to 2019, due to the gradually decreasing assignment of free quotas by the competent national authority, provided for the third regulatory period by Article 10a of Directive 2009/29/EC, as well as to some specific rules for updating allocations provided for by the same Directive (reduction in activity levels, new entrant allocations and reduction in thermal capacity).

In 2020, dioxide carbon emissions of Snam Group facilities covered by the ETS were overall greater than the emission permits allocated. Compared to approx 0.615 million tonnes of dioxide carbon emitted into the atmosphere, around 0.120 million tonnes were allocated, resulting in a 0.495 million-tonne deficit. The deficit was offset by the quotas purchased by the company, with an approximately cost of 9.5 million euros recognised in "Other operating costs and expenses".

26) FINANCIAL RISK MANAGEMENT

26.1 INTRODUCTION

The main corporate financial risks identified, monitored and, where specified below, managed by Snam are as follows:

- risk arising from exposure to fluctuations on interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments.

With regard to the exposure to exchange rate risk, due to the situations currently in place, Snam group's exposure is currently limited with regard to transaction risk, while there is still exposure to translation risk with regard to certain foreign investees that prepare their financial statements in currencies other than the euro. At present, it has been decided not to adopt specific hedging policies for these exposures. For instance, it should be noted that the effects of exchange rate differences deriving from the difference in translation into currency presentation (euro) of the functional currencies of these companies are recognised in the comprehensive income statement.

With regard to the other risks that characterise operations, including those related to the Covid-19 pandemic, please

refer to the information provided in the section of the Directors' Report entitled "Risk Management - Elements of risk and uncertainty".

The following describes Snam's policies and principles for the management and control of financial risks, according to the approach provided for by international accounting standard IFRS 7 - Financial instruments: disclosures.

26.2 INTEREST RISK RATE CHANGE

Interest risk rate change is associated with fluctuations in interest rates affecting the market value of the Company's financial assets and liabilities and its net financial expense.

Snam's objective is to optimize the interest rate risk while pursuing its financial objectives.

Snam Group has adopted a centralised organisational model. In accordance with this model, Snam's various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile stays within defined limits.

At 31 December 2020, the Snam Group used external financial resources in the form of bond loans and bilateral and syndicated loans with banks and other financial institutions, in the form of medium- to 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 at fixed rates. The exposure to interest risk rate change at 31 December 2020, taking into account the hedging transactions put in place, was approximately 33% of the total exposure of the Group (24% at 31 December 2019). As at 31 December 2020, Snam has interest rate swaps (IRSs) in place for a notional total amount of 756 million euros, relating to hedges on a 106 million euros floating-rate bond loans maturing in 2024 and bilateral floating-rate funding totalling 650 million euros maturing in 2021 and 2023. The IRS derivative contracts are used to convert floating rate loans to fixed rate loans.

Moreover, as at 31 December 2020, Snam has forward starting IRS derivatives in place of a notional amount totalling 250 million euros, maturing in the medium to long-term, for highly probable future financial liabilities to be undertaken up to 2021, for coverage of financial


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requirements. Though the Snam Group has an active risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk could have negative effects on Snam Group's operations, balance sheet and cash flow. Even considering the limited exposure to changes in interest rates, limited to 33% of the Group's total exposure and fully attributable to the Euribor rate, a possible change in the method of calculating the latter and the related fallback clauses that may be formulated could result in the Snam Group having to adjust the financial contracts that may be affected by the aforementioned change and/or the management of prospective cash flows.

The effects on shareholders' equity and net profit at 31 December 2020 are shown below, assuming a hypothetical change in the interest rate basis points of +/-10% actually applied during the course of the year:

(million €)	31.12.2020			
	Income statement result		Other components of the comprehensive income statement	
	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Floating rate loans not subject to hedging				
Interest rate change effect	(5)	5		
Floating rate loans converted through IRS into fixed rate loans				
Effect of interest rate changes on the fair value of hedging derivatives pursuant to IAS 39 - effective portion of the hedge ^(*)			3	(3)
Impacts gross of tax effect	(5)	5	3	(3)
Tax effect	1	(1)	(1)	1
Impacts net of tax effect	(4)	4	2	(2)

(*) The change in the interest rate impacts on the change of fair value of derivative hedging instruments recognised, amongst other components, in the comprehensive income statement and, therefore, does not impact on the income statement result.

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26.3 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 economic results and Snam financial balance of. 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 Snam departments. Snam, as far as regulated activities are concerned, which currently represent almost all activities, provides its business services to 220 operators in the gas sector, with 10 operators representing approximately 68% of the entire market (Eni, Edison and Enel Global Trading hold the top three spots). The rules for customer access to the services offered are established by the Authorities 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 selling and providing said services and contain contractual conditions, which significantly reduce the risk of customer default. The Codes contain guarantees to be provided to cover the obligations undertaken. In certain cases, if the customer has a credit rating issued by leading international organisation, the issuing of these guarantees can be mitigated. The regulations also contain specific clauses which guarantee the neutrality of the entity in charge of balancing, an activity carried out from 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, the current balancing rules require that Snam, on the basis of financial merit criteria, mainly operates in buying and selling on the GME balancing platform to guarantee the necessary resources for the safe and efficient movement of gas from the injection points to the withdrawal points in order to guarantee the constant equilibrium of the network.

As regards non-regulated activities, which will become increasingly important over the Plan period, the company, through its centralised functions, performs a prior analysis of the financial soundness of counterparties in order to minimise this risk.

Snam's maximum exposure to credit risk as at 31 December 2020 is represented by the book value of the financial assets recorded in the financial statements, detailed in Note 9 "Trade and other receivables".


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The following table shows a breakdown of trade and other receivables by maturity, indicating the gross value and the value net of the provision for impairment losses:

(million €)	31.12.2019			31.12.2020		
	Trade receivables (*)	Other receivables	Total	Trade receivables (*)	Other receivables	Total
Non-overdue and non-impaired receivables	1,085	159	1,244	1,357	125	1,482
Overdue and non-impaired receivables:	132		132	194		194
- from 0 to 3 months	11		11	23		23
- from 3 to 6 months	7		7	7		7
- from 6 to 12 months	26		26	14		14
- beyond 12 months	88		88	150		150
Total trade receivables and other receivables	1,217	159	1,376	1,551	125	1,676

(*) The exposure is net of overdue and impaired loans for 102 million euros (same as 31 December 2019).

The net book value of overdue and non-impaired trade receivables as at 31 December 2020, equal to 194 million euros, refer mainly to: (i) the storage sector (77 million euros), in particular to VAT³⁵ billed to users for the use of strategic gas which was withdrawn but not replenished by them pursuant to the terms established by the Storage Code during 2010 and 2011; (ii) the transportation sector (51 million euros) and mainly regard receivables from Users referring to positions within balancing and settlement services.

Approximately 34% of trade receivables (39% as at 31 December 2019) were with extremely reliable clients, including Eni, which represents 11% of total trade receivables (16% as at 31 December 2019).

The current context characterised by the spread of the Covid-19 virus, together with the macroeconomic scenario, could cause a financial stress situation with regard to several customers and suppliers or a slowdown in activities that could have an impact on Snam's assets and/or liabilities. With reference to the development of energy transition activities, similarly a slowdown in activities and a similar context risk is possible, with repercussions on collection and payments activities, which currently represent an extremely limited amount compared with the entire scope of the Snam Group.

³⁵ As provided for under the applicable legislation, notices of VAT changes may be issued at the end of bankruptcy proceedings or unsuccessful enforcement proceedings.


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The following is a description of the credit recovery activities carried out against certain users of the transportation and balancing system and the storage system.

Recovering receivables from certain users of the transportation and balancing system

The balancing service ensures that the network is safe and that costs are correctly allocated between the market operators. Balancing has both a physical and a commercial purpose. The physical balancing of the system consists of the set of operations through which the Dispatching department of Snam Rete Gas controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times. Commercial balancing consists of the activities required to correctly schedule, account for and allocate the transported gas, as well as the fee system that encourages users to maintain a balance between the volumes they inject into and withdraw from the network.

Pursuant to the current balancing regime, which was introduced by Resolution ARG/gas 45/11 and came into effect on 1 December 2011, in its role as Balancing Supervisor, Snam Rete Gas must ensure that it procures the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Energy Market Operator, and, accordingly, it must financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the "principle of economic merit"). The Company must also ensure that it recovers sums owed for the settlement of imbalances from any defaulting users.

Unpaid receivables relating to the period from 1 December 2011 to 23 October 2012

The initial regulation laid down by the Authority with Resolution ARG/gas 155/11 stated that users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the Authority.

Through its subsequent Resolution 351/2012/R/gas³⁶, the Authority implemented the start date of 1 October 2012 for the application of the variable unit fee CV^{BL} to cover uncollected receivables, and the payment of the expenses to be recovered in monthly instalments of up to 6 million euros over a minimum of 36 months.

The Authority subsequently opened an exploratory investigation into balancing service provision methods for the period 1 December 2011 - 23 October 2012³⁷. The investigation was closed by Resolution 144/2013/E/gas of 5 April 2013. On the same date, the Authority: (i) opened proceedings to determine the share of costs arising from uncollected receivables owing to the gas balancing supervisor for the period 1 December 2011 - 23 October 2012; and (ii) opened six proceedings aimed at establishing whether there have been violations regarding the natural gas balancing service.

With regard to the preliminary investigation discussed in point (i) above, the proceedings were closed by means of Resolution 608/2015/R/gas, with which the Authority decided not to pay a share of the uncollected receivables in relation to specific cases analysed in the preliminary investigation, in any case subject to Snam Rete Gas's right to withhold the receivables relating to the income statement entries on balancing, possibly already recuperated. The Company appealed Resolution 608/2015/R/gas, before the Regional Administrative Court of Milan, which partially admitted the appeal submitted by the Company with ruling 942/2017; this was in turn partially appealed by the Company and the Authority. The ruling

³⁶ The aforementioned resolution was annulled pursuant to the ruling 1587/2014 of the Regional Administrative Court of Milan insofar as the obligation of Users to pay the CVBL consideration of 0.001 €/Scm with effect from 1 October 2012. Moreover, with the subsequent Resolution 372/2014/R/gas the coefficient was redefined at the same amount of 0.001 €/Scm.

³⁷ The time period set for the preliminary investigation which was initially limited to 1 December 2011-31 May 2012, was subsequently extended to 23 October 2012.


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was then confirmed through the ruling of the Council of State 1630/2020, published on 5 March 2020. As a result of these rulings, the Company has obtained, through CSEA, a recognition of an amount of approximately 40 million euros (including VAT).

During the above-mentioned investigation period, Snam Rete Gas, having terminated the transportation contracts of the six users involved in the aforementioned proceedings since they either defaulted on payments or failed to comply with the balancing obligations set forth in the industry regulations and the Network Code, initiated steps to recover the receivables relating to balancing and transport items.

Specifically, the competent judicial authorities issued 11 provisional executive orders, of which six related to receivables arising from the balancing service and five to receivables arising from the transportation service³⁸. Having received these orders, Snam Rete Gas initiated the executive proceedings, which resulted in the recovery of negligible amounts of the overall debt of the Users, partly because of the bankruptcy procedures under way at all of these Users.

In particular, at present:

- five Users were declared bankrupt. With regard to all five Users, Snam Rete Gas obtained measures for admission to the list of creditors for the receivable owed, plus interest. As part of these proceedings, a proposal for arrangement with creditors was submitted and approved by the majority of the creditors; the bankruptcy proceedings, following the final distribution, were closed with recognition of a minimal portion of the claim filed. In addition, a second procedure was recently closed in 2020, after approval and execution of the final distribution, which did not lead to the recognition of any amount in favour of the Company;
- one User has requested to be admitted to the arrangement with creditors and the Court Authorities have issued a ruling endorsing the arrangement³⁹.

³⁸ The users in question have appealed against some of these injunctions. Specifically, as well as requesting the suspension of the provisional enforceability and the revocation and/or declaration as null and void of the injunctions themselves, three users have submitted counterclaims requesting that Snam Rete Gas be ordered to compensate them for alleged damage suffered. The oppositions were declared null and void, with the resulting lapse of the demand and the passage into judgment of the injunction decrees.

³⁹ In respect of the approval provision, a claim was brought before the Court of Appeal of Turin, and – in respect to the confirmation procedure adopted by the same Court – the appeal was brought before the Court of Cassation.

Unpaid receivables after 23 October 2012

In 2013, two further transportation contracts were terminated and Snam Rete Gas initiated injunction proceedings. It obtained three payment orders, of which two for receivables relating to the balancing service and one for the transportation service. Both Users appealed, with the relative rulings rejecting the claims and consolidating the securities acquired by Snam Rete Gas. The executive procedures that were initiated resulted in a negligible recovery of amounts when compared to the overall amounts due from the Users which were then declared bankrupt. Snam Rete Gas regularly submitted its claims in the respective arrangements with creditors. In addition, one of the bankruptcy proceedings was concluded in 2020 with the recovery of minimal amounts with respect to the bankrupted party's total debt.

In 2014, a further transport contract was terminated and Snam Rete Gas initiated provisional executive procedures for recovery of the receivables, one relating to balancing services and the other to transportation services. The User was declared bankrupt and Snam Rete Gas was admitted to the current list of creditors for the entire debt due, plus interest.

Finally, in 2015 a further transportation contract was terminated and Snam Rete Gas initiated debt recovery measures, securing two provisional executive injunctions against the User, one for the balancing service and the other for the transport service. Moreover, the User was recently declared bankrupt and Snam Rete Gas has regularly submitted its claims for the arrangements with creditors.

Snam Rete Gas, as stated in the provisional executive injunctions issued by the Court, has engaged in proper conduct and complied with the provisions of the transportation contract, the Network Code and, more generally, the applicable legislation.


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Lastly, we note that on 12 February 2016 the Public Prosecutor at the Court of Milan ordered the urgent preventive seizure of the moveable and fixed assets belonging to companies and attributable in various guises to the above-mentioned five Users. In May 2017, the investigation was concluded and the investigated parties were charged with the being involved in a criminal association and committing aggravated fraud against Snam Rete Gas. At the preliminary hearing set for 19 December 2018, the judge accepted SRG joining the proceedings as a civil party. The Court granted the investigation requests, declared the trial open, and adjourned the hearing for impending business until February 2021.

These criminal proceedings resulted in the formal complaint report (and subsequent supplementary reports) filed by Snam Rete Gas, as offended party, in October 2012 for the crimes of falsehood and aggravated fraud.

Recovering receivables from users of the storage system

Withdrawals made from strategic storage by three users, invoiced by Stogit and not replenished by the user under the terms specified by the Storage Code

Following withdrawals from strategic storage made by a User in November and December 2010, Stogit asked for and obtained an injunction with regard to the sums due that the user failed to pay. The provisional enforceability was confirmed during the opposition launched by the opposing party. The appropriate executive actions were launched as a result.

Following the withdrawals and the failure to replenish the strategic gas in the initial months of 2011 as well, Stogit requested and obtained a second provisional executive injunction for the further sums accrued.

Urgent proceedings were also launched for the replenishment of all the gas unlawfully withdrawn, concluding with the conviction of the debtor, with the subsequent application for injunctive relief also being rejected.

In 2012 the above user together with another two users (who also defaulted with regard to Stogit) were added to the proceedings for an arrangement with creditors, in

which Stogit formally transmitted and documented the amounts of its receivables with these users.

Moreover, following the sub-proceedings to dismiss the arrangement, the Court of Asti declared two of the above-mentioned users bankrupt. In both cases, Stogit promptly filed a proof of claim and its receivables were admitted in full.

However, the procedure for an arrangement with creditors is continuing with regard to the third user, which was appealed by one of the creditors. The Court of Appeal of Turin issued a ruling, confirming the approval of the arrangement with creditors. An appeal brought by the aforementioned creditor is currently pending before the Court of Cassation.

Withdrawals made from strategic storage by a user, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, ascribable to the 2010-2011 and 2011-2012 thermal years

Stogit filed with the Civil Court of Milan for a payment injunction provisionally enforceable against one User pursuant to Article 186-ter.

At present, following the partial restitution of gas in the wake of legal action brought, Stogit is still owed approximately 23.6 million euros SCM.

Stogit has therefore taken the appropriate actions.

The Court of Rome then declared the User bankrupt and Stogit submitted its claim, which was accepted.

Withdrawals made from strategic storage by a User, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, relating to October and November 2011

Stogit filed with the Civil Court of Milan for a provisionally enforceable payment injunction, brought because of improper withdrawals, in respect of which Stogit still was owed approximately 56.0 million euros SCM.

While the proceedings were ongoing, the Court of Rome declared the User bankrupt. Consequently, the Civil Court of Milan declared the case interrupted and Stogit submitted its claim, which was accepted,


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during which the final distribution of assets was made and, consequently, in 2020, the proceedings were closed, during which no amounts were paid to the Company.

26.4 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.

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.

The financial market is characterised by a continuous growth of sources of financing for companies able to improve the environmental impact of their investments. The interest of the investors is linked and subordinated to the ability of the companies themselves to achieve certain objectives in terms of environmental sustainability.

With a view to the correct management of liquidity risk, the diversification of funding sources also through the use of sustainable finance instruments is therefore crucial to guarantee companies wide access to financial markets at competitive costs, with consequent positive effects on the economic situation, equity and financial position of the companies themselves.

Similarly, for Snam, the failure to achieve certain KPIs in the ESG area, within the general objective of the Group to make its business more sustainable in the medium-long term, could lead to higher financing costs or to the lack of access to some sources of funding.

The mitigation of this risk passes through Snam's extreme attention to ESG issues, traditionally a relevant and structured part of the corporate strategy.

In line with this approach, in 2018, Snam finalised the transformation of the Euro 3.2 billion in syndicate credit facilities, into a sustainable loan, the third largest sustainable loan to ever have been stipulated worldwide and the largest by a gas utility company. This loan provides for bonus/malus mechanisms based on the achievement of certain KPIs in the ESG (Environment, Social, Governance) area. In addition, Snam issued i) its first 500 million euros Climate Action Bond in February 2019 (ii) in June 2020 its first Transition bond, the second in Europe and the first by a gas transportation utility, for a further 500 million euros and (iii) in December 2020 a second Transition bond for 600 million euros, the longest zero coupon bond loan issued by an Italian issuer. These issues are aimed at financing investments in environmental sustainability and energy transition. Finally, in 2020, Snam renewed the Euro Commercial Paper programme, rising from 2 billion to 2.5 billion, linking it to environmental and social sustainability objectives in line with the Sustainable Loan and obtaining an EE ESG rating for the instrument from Standard Ethics. As shown in section 26.2 "Interest rate risk", the Company had 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 European Investment Bank (EIB), bond loans and Commercial Papers).

Snam's objective is to maintain a debt structure that is balanced in composition between bond loans 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.

At 31 December 2020, Snam had unused committed long-term credit lines worth approximately 3.2 billion. In addition, as at the same date, Snam has a Euro Medium Term Notes (EMTN) programme in place for a maximum total nominal value of 11 billion, used for approximately 7.8 billion and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of 2.5 billion, used in full as at 31 December 2020.

Snam's cash and cash equivalents mainly refer to current accounts and bank deposits readily collectable.

The Group's main long-term financial payables include covenants that are typical of international practice, such as negative pledge and pari passu clauses. Failure to meet these clauses, and the occurrence of other events, for

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example cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the relative loan, resulting in additional costs and/or liquidity issues. There are no covenants among commitments that involve compliance with ratios of an economic and/or financial nature.

Among the factors that define the risk perceived by the market, creditworthiness, assigned to Snam by rating agencies, plays a decisive role because it influences their ability to access sources of financing and the related economic conditions. A worsening of this creditworthiness could therefore constitute a limitation on access to the capital market and/or an increase in the cost of sources of financing, with consequent negative effects on the Group's economic situation, equity and financial position.

Snam's long term rating is: (i) Baa2 with stable outlook, confirmed on 11 January 2021 by Moody's Investor Services; (ii) BBB+ with stable outlook, confirmed on 22 February 2021 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 22 January 2021 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's and Standard & Poor's is a notch higher than that of Italian sovereign debt, two notches above for Fitch. Based on the methodology adopted by Moody's, S&P and Fitch, the downgrade of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam's current rating.

The company's short-term rating, used as part of Snam's Commercial Paper programme, is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam Group has relations with diverse counterparties with a high credit standing, based on the management policy and ongoing monitoring of their credit risk, the default of a counterparty or the difficulty to liquidate assets on the market could have negative effects on the Snam Group's operations, results balance sheet and cash flow.


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The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments and other liabilities connected to derivative instruments:

(million €)	Future flows				Maturity				
	31.12.2019	31.12.2020	Quota within 12 months	Quota beyond 12 months	2022	2023	2024	2025	Beyond
Bank loans	3,704	5,272	2,786	2,485	687	457	119	121	1,101
Bond loans ^(*)	9,056	8,151	259	7,892	1,133	879	1,191	839	3,850
Euro Commercial Paper - ECP	2,000	2,500	2,500						
Financial payables for leased assets	21	21	6	15	5	4	2	2	2
Interest on loans ^(*)	772	498	109	388	94	67	59	43	125
Financial liabilities	15,553	16,442	5,660	10,780	1,919	1,407	1,371	1,005	5,078
Derivative instruments Forward start ^(**)	48	31	31						
Liabilities for derivative instruments	48	31	31						
Total contractual flows of financial payables	15,601	16,473	5,691	10,780	1,919	1,407	1,371	1,005	5,078

(*) Future payments include the cash flow generated by hedging derivative contracts.

(**) Future payments are valued at the Mandatory Early Termination Date.

With reference to the payment terms for trade and other payables, please see Note 18 "Trade payables and other payables".


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26.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

It should be noted that, with the exception of the valuation of derivative agreements and minority investments, financial assets and liabilities, depending on the characteristics of the instrument and the business management adopted for their management, entirely come under the financial instruments valued through the amortised cost method.

The book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(million €)	Book value		Income/expenses recognised in the income statement		Other components of the comprehensive income statement ^(a)	
	Balance at 31.12.2019	Balance at 31.12.2020	Balance at 31.12.2019	Balance at 31.12.2020	Balance at 31.12.2019	Balance at 31.12.2020
Financial instruments valued at amortised cost						
Trade receivables and other receivables ^(b)	1,380	1,681	35	(2)		
Financial receivables ^(c)	3	312		13		
Trade payables and other payables ^(b)	1,848	2,121				
Financial payables ^(c)	14,774	15,937	(200)	(166)		
Financial instruments measured at fair value						
Net assets (liabilities) for hedging derivatives ^(c)	(63)	(38)	(1)	(10)	(34)	(5)
Financial assets valued at FVOCI						
Minority equity investments ^(d)	39	112	2	2	4	29

(a) Net of tax effect.

(b) The effects on the income statement are recognised under "other operating costs and expenses".

(c) The effects on the income statement are recognised under "Financial income/(expenses)".

(d) The effects on the income statement are recognised under "other income (expenses) from equity investments".

Below is the classification of financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- level 1: prices quoted (and not amended) on active markets for the same financial assets or liabilities;
- level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- level 3: inputs not based on observable market data.

In relation to the above, the classification of assets and liabilities measured at fair value in the statement of financial position according to the fair value


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hierarchy involved: (i) derivative financial instruments at 31 December 2020 classified as level 2 and disclosed in Note 19 "Other current and non-current liabilities" (38 million euros); (ii) minority investment in Adriatic LNG, valued at FVTOCI, classified as level 3 a and disclosed in Note 12 "Other current and non-current financial assets" (38 million euros); (iii) the minority investment in ITM Power, valued at FVTOCI, classified as level 1 and disclosed in Note 12 "Other current and non-current financial assets" (74 million euros).

27) CRIMINAL AND TAX DISPUTES AND PROCEEDINGS WITH THE REGULATORY AUTHORITY ARERA

Snam 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, Snam believes that these proceedings and actions will not have material adverse effects.

The following is a summary of the most significant proceedings; unless indicated otherwise, no allocation has been made for the litigation described below because the Company believes it improbable that these proceedings will have an unfavourable outcome or because the amount of the allocation cannot be reliably estimated.

At 31 December 2020, risks concerning compensation and disputes related to litigation that is ongoing but where the risk of losing the case is not considered probable amounted to 44 million euros (38 million euros at 31 December 2019).

27.1 CRIMINAL DISPUTES

Snam Rete Gas S.p.A. - Pineto incident

On 6 March 2015 in Mutignano landslide affected 10 metres of the San Benedetto Del Tronto-Chieti section of the Ravenna-Chieti pipeline, causing it to break with the consequent escape of gas, with a subsequent fire due an electricity pylon collapsing at the same time.

With regard to this event, the Public Prosecutor at the Court of Teramo immediately opened an investigation into negligence associated with the forest fire. Upon completion, the Prosecutor requested the Snam Rete Gas

technicians and technical managers be brought to court. The committal to trial was ordered by the preliminary hearing judge for 3 October 2018. At the first main hearing on 10 January 2019, the presiding member of the bench asked the defence and the Public Prosecutor to comment on moving the proceedings to a single judge proficient in this issue. The parties referred to the decision of the Court, which after a short period in council chambers, passed the proceedings onto a competent single judge. The first main hearing was held on 17 September 2020, at which all parties presented their requests for evidence. The hearing was adjourned until the end of April 2021 for the examination of witnesses by the Public Prosecutor.

IES Biogas - Criminal offence conviction

On 2 November 2018 a criminal offence conviction was issued by the Court of Venice, with regard to an IES Biogas executive following the workplace accident that took place on 29 September 2016 involving a company employee, during the maintenance of a silo agitator. On 16 November 2018, a notice of opposition was filed against the criminal offence conviction, which requested the definition of the proceedings in the form of the simplified and shortened ruling. In 2020, the insurance process was completed and the injured party accepted the offer of compensation for damages provided by the insurance company. Due to the prospective inability to attend the hearings related to the health emergency decrees, the Judge postponed the hearing until the end of June 2021.

27.2 PROCEEDINGS WITH THE AUTORITÀ DI REGOLAZIONE PER ENERGIA RETI E AMBIENTE - ARERA

Snam Rete Gas S.p.A. Investigation into violations on the subject of natural gas metering with regard to Snam Rete Gas S.p.A. and request for information

Through Resolution VIS 97/11, notified on 15 November 2011, the ARERA started proceedings to look into whether there were any violations with regard to natural gas metering, relating to alleged irregularities in gas metering with reference to 45 systems owned by the distributor; through Resolution 431/2012/S/Gas the proceedings were brought together with other proceedings involving said events contested by the company launched with regard to the distributor involved.


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Snam Rete Gas S.p.A. has submitted proposals in relation to the alleged conduct. By means of Resolution 332/2015/S/gas, the ARERA declared the proposals to be inadmissible, on the grounds that they would not be adequate to restore the alignment of interests existing before the alleged violations or to eliminate any immediate and direct consequences of these violations.

Upon completion of the investigation on 20 October 2017, the ARERA notified the results to Snam Rete Gas, which confirmed the charges made when the proceedings were initiated. The company has requested time for it to formulate its own defence and, to this end, a hearing was called before the board of the Authority on 1 March 2018 during which the defence brief was submitted. After the proceedings, the Authority, although accepting some of the Company's arguments deemed relevant from the perspective of the quantification of the fine, imposed an administrative monetary fine on Snam Rete Gas, through resolution 206/2018/S/gas of 5 April 2018, of 880 thousand. Though it paid the pecuniary fine, the Company has appealed Resolution 206/2018/S/gas before the Regional Administrative Court of Milan. The hearing date remains to be set.

Snam Rete Gas S.p.A. - Resolution 608/2015/R/gas - Proceedings to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor

Upon completion of the proceedings initiated with Resolution 145/2013/R/gas to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor, relating to the period 1 December 2011 - 23 October 2012, in relation to three cases which had previously been investigated, with Resolution 608/2015/R/gas, the ARERA closed the proceedings deciding not to pay the share of the outstanding receivables in relation to which the specific case was the object of the investigation, for the total sum of approximately 130 million euros (including VAT).

The Company, believing that the conditions existed for paying the share of expenses resulting from receivables not collected and subject to the proceedings in question, challenged Resolution 608/2015/R/gas before the Regional Administrative Court of Milan, which with its ruling No. 942/2017, published on 21 April 2017, partially upheld Snam Rete Gas's appeal, finding that, in relation to some of the cases covered by the preliminary investigation, there were grounds for recognising all or part of the charges deriving from the related uncollected receivables for a total amount of approximately 38 million euros.

Both parties have lodged partial appeals to the aforementioned judgment. The appeals were discussed before the Council of State at a hearing held on 8 November 2018.

The decision made by the Regional Administrative Court was then recently confirmed by the Council of State in its ruling No. 1630/2020, published on 5 March 2020⁴⁰. As a result of these rulings, the Company has obtained recognition of an amount of approximately 40 million euros (including VAT).

An allocation had been made to the provision for impairment losses on receivables in relation to the costs in question.

Snam Rete Gas S.p.A. - Resolution 9/2014/S/gas – "Launch of punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas"

With Resolution 9/2014/S/gas the ARERA launched punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas. The proceedings aim to ascertain whether or not delays exist in provisions relating to the enactment of amendments to the Network Code established by Resolution 292/2013/R/gas, with regard to settlement. Upon conclusion of the proceedings, with its resolution 853/2017/S/gas, the Authority sentenced Snam Rete Gas to pay a pecuniary fine of 95 thousand since, although it accepted a part of the Company's arguments which were significant insofar as determining the amount of the fine, it considered that the Company was late in complying with Resolution 292/2013/R/Gas.

⁴⁰ For more information, refer to the next paragraphs "Recovering receivables from certain users of the transportation and balancing system".


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Though it paid the pecuniary fine, the Company has appealed Resolution 853/2017/S/gas before the Regional Administrative Court of Milan. The hearing date remains to be set.

Snam Rete Gas S.p.A. - Resolution 250/2015/R/gas, published on 1 June 2015 regarding: "Adoption of measures on the odorising of gas for domestic use and similar for end users connected directly to the natural gas transportation networks"

Through Resolution 250/2015/R/gas, following the ruling of the Milan regional administrative court, the ARERA amended Article 5 of Resolution 602/2013/R/gas dealing with the obligation of transportation companies to odorise gas for end users connected directly to the transportation network, which, taking into account the categories of use indicated in the TISG, do not use the gas delivered for merely technological purposes. In this regard, the ARERA ordered that the transportation companies shall complete the implementation of the adaptation plans by 31 January 2017, after carrying out a survey of the redelivery points involved (by 31 July 2015) and sending the ARERA the adaptation plan (by 30 November 2015), to be updated every six months, with the description of the technical solution identified. Snam Rete Gas has appealed against the above resolution believing that the deadline for implementing the plan can only be decided after the survey.

Having carried out the survey, when sending the plan and the subsequent updates Snam Rete Gas once again found that the deadline set by the ARERA with its Resolution 484/2016/E/gas was unreasonable. Consequently, in the appeal with which Snam Rete Gas challenged Resolution 250/2015/R/gas, it also included an appeal for further grounds against Resolution 484/2016/E/gas asking for the resolutions challenged to be suspended.

The request was accepted by the Council of State. Following the hearing that was held on 16 January 2019, through ruling no. 869 of 17 April 2019, the Milan Regional Administrative Court accepted the appeal submitted by Snam Rete Gas declaring the unlawfulness of the deadline set by the Authority because it was clearly unreasonable as it does not take into account the complexity of the activities to be carried out by the transportation company and the need to collaborate with end users on whom the burden of guaranteeing the use of gas in safe conditions for the workers involved weighs.

Note that through the Ministerial Decree of 18 May 2018 the Minister for Economic Development placed the responsibility of guaranteeing the use of gas in safe conditions on the end users directly connected to the natural gas transportation network, where there is domestic or similar use of gas, even only in part, if combined with technological uses. Following the functional activities to the implementation of the Decree, the end users demonstrated that they guaranteed the safe use of the gas in accordance with the methods laid down by said Decree.

As part of the Consultation Document (DCO 203/2019/R/Gas) as preparation for the revision of the regulation on the transportation service quality, ARERA demonstrated its intention to: (i) confirm the regulatory framework pursuant to the above Resolution 250/2015/R/Gas without setting a deadline by which the Plan has to be implemented; and (ii) promote a regulatory amendment aimed at coordinating the regulation with the aforementioned Ministerial Decree. Following on from what the DCO anticipates, through Resolution 554/2019/R/gas, the Authority confirmed the previous regulatory regime (the obligation of the transportation company to take responsibility for the odorising) thereby putting forward the issue of coordination with the obligations imposed by the Decree. Therefore, pending a possible regulatory change, Snam Rete Gas challenged Resolution 554/2019/R/gas.

27.3 TAX DISPUTES

TEP Energy Solution - Formal notice of assessment

On 14 December 2018, TEP Energy Solution S.r.l. received a notice of tax assessment limited to the 1 January 2013-31 December 2013 tax period. The notice of tax assessment was the result of a tax audit of the company that began on 27 September 2018 to verify its compliance with tax law requirements applicable to income tax, VAT and other duties. This investigation was spurred by a more extensive one launched by the Milan Public Prosecutor's Office into a system of tax fraud based on issuing and using invoices for objectively and subjectively non-existent transactions in connection with energy certificate trading. Based on the findings of the tax audit, on 21 January 2019, TEP Energy Solution received a notice of tax assessment for the 1 January 2014-31 December 2014 tax period and TEP REALE ESTATE received one for the 2013 and 2014 tax years. It should be noted that on 27 December 2018, the Guardia di Finanza (Italian Financial Police) sent a notice of offence


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to the Rome Public Prosecutor's Office, which initiated an investigation against the Company's legal representative for the crime of fraudulent declaration through the use of invoices or other documents for non-existent transactions (Article 2 of Legislative Decree No. 74/2000). Following notification of the tax assessments, the Company filed defence briefs with the Revenue Agency, requesting a hearing with the same tax office to clarify and explain the facts set out in the notices of tax assessment for a correct reconstruction of events. During the hearing with the tax authorities, the possibility of settling the notices of tax assessment arose, which would entail assessments with the taxpayer's acceptance and partial dismissal of the notices. Later, on 30 July 2019, the Revenue Agency and TEP signed separate deeds of acceptance to settle the aforementioned notices of tax assessment. Alongside the hearing with the Revenue Agency, discussions were initiated with the Public Prosecutor, who was informed that the case had been settled with the Revenue Office. Therefore, we are waiting for the Public Prosecutor's decision.

Snam Rete Gas S.p.A. - IMU/TASI - northern Italy municipalities

The municipalities of northern Italy sent Snam Rete Gas 17 assessment notices for IMU/TASI for the years 2013, 2014 and 2015, which follow on from requests for information for land registry purposes pursuant to Article 1, paragraph 693 of Law 147/2013. The company has paid the above taxes amounting to 187 thousand.

Stogit S.p.A. - IMU

The Municipality of Bordolano served Stogit S.p.A. with notices of assessment for IMU property tax for the years 2012, 2013 and 2014.

The notices come to a total of around 560 thousand (including taxes, penalties and interest). Through ruling no. 130/5/2019, the Cremona Provincial Tax Court confirmed the tax liability for the years 2012 and 2013 and, with ruling No. 16/2/2020, confirmed the tax liability relating to the year 2014.

In light of the aforementioned rulings, the company has paid an amount of 243 thousand.

27.4 OTHER PROCEEDINGS

Snam Rete Gas S.p.A. - Criteria for regulating natural gas transportation and dispatching rates for the 2010-2013 period

By ruling No. 2888/2015, the Council of State rejected the appeal filed by ARERA asking it to overturn ruling No. 995/2013 by the Regional Administrative Court of Milan, which voided the provisions of resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 concerning natural gas transportation and dispatching rates for the 2010-2013 period, specifically with regard to the commodity/capacity allocation, the reform of the entry/exit model and gas for consumption by compression stations (self-consumption).

By way of Resolution 428/2015/C/gas, ARERA resolved to appeal for revocation on the grounds of an error of fact against the aforementioned ruling, an appeal which was subsequently withdrawn on 29 March 2018 due to the lack of interest in continuing the proceedings. At the same time, the Authority complied with the aforementioned rulings by way of Resolution 550/2016/R/gas whereby, having reformed the rules on self-consumption, it justified its confirmation of the remaining tariff criteria also in light of the consultations carried out.

Given the confirmatory nature of the aforementioned resolution, the original appellant contested for compliance with the aforementioned rulings and a declaration of the nullity of Resolution 550/2016/R/gas. By ruling No. 494/2017, the Milan Regional Administrative Court partially upheld the appeal with specific reference to the issue of the commodity/capacity allocation, finding that the contested Resolution complied inaccurately and partially with ruling No. 995/2013 and that, therefore, the Authority should carry out an additional assessment of the effects of the choices made.

Ruling No. 494/2017 was challenged by the appellant, as well as incidentally by ARERA. In ruling No. 1840/2018 of 23 March 2018, the Council of State, in partial acceptance of the Authority's cross-appeal, dismissed the action of nullity for breach of judgment filed by the appellant at first instance and ordered the conversion of the proceedings into an ordinary judgment of annulment. The appellant consequently resumed the proceedings before the Milan Regional Administrative Court.


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Stogit S.p.A. - Appeals Coordination Environmental Committee (*Ricorsi Coordinamento Comitato Ambientalisti*)

With the Presidential Decree of 16 September 2019, the binding opinion published by the Council of State on 27 June 2019, by which the appeals filed by the Appeals Coordination Environmental Committee plus others were accepted, was implemented. In that Presidential Decree it is stated that: (i) on account of the failure to file the documents relating to the environmental impact assessment in the municipalities of Azzanello and Verolavecchia, the EIA decree issued in 2009 for the construction of the new storage facility at Bordolano is annulled, without prejudice to the provisions contained therein, only in so far as it expresses a favourable opinion on environmental compatibility; (ii) the decree of the Ministry of Economic Development of 28 December 2011 (approval of the change in the work programme of the "Bordolano Storage" concession) is annulled, as well as (iii) the measures of the Ministry of the Environment (prot. No. 18804 of 8 August 2013 and prot. No.14583 of 16 May 2014), again on the subject of EIA, without prejudice to the continuing validity of the prescriptions contained therein, to protect public safety and security, which are in no way overturned by the annulment ruling. The Council of State also established the reopening of the EIA procedure and the Ministry of Environment promptly reopened the terms of the EIA (with note DVA U28389 of 29 October 2019) limited to the municipalities of Azzanello and Verolavecchia only; of these, only the municipality of Verolavecchia submitted comments, to which were added those of other parties. The proceedings are currently pending before the Technical Commission for Environmental Impact Assessment (Commissione Tecnica per la Valutazione di Impatto Ambientale) and Stogit has provided all the technical clarifications in response to the comments submitted. It should be added that MiSE, with note U.0025890 of 22 November 2019, issued a provision pursuant to Article 29, paragraph 3 of Legislative Decree 152/2006, which allows for the continuation of storage activities in the Bordolano plant pending the completion of the EIA.

Snam S.p.A. - Questionnaire Q00017/2020 on VAT

On 13 February 2020, the Revenue Agency served Snam (hereinafter, the "Company") with a VAT questionnaire requesting the reasons for the voluntary correction of tax return carried out in 2016 with reference to the 2012, 2013, 2014 and 2015 tax years. In particular, in 2016 the Company submitted supplementary declarations relating to the years 2012 to 2014 to acknowledge the performance - as from 2012 - of a new activity of granting loans and that in relation to this activity the Company intended to avail itself, for VAT purposes, of the optional separation of activities pursuant to Article 36, paragraph 3 of Presidential Decree No. 633/1972. On the other hand, as regards 2015, the relative annual declaration was presented within the ordinary terms and an amicable settlement was made to remedy certain irregularities (again connected with the keeping of separate accounts) which had affected the correct monthly settlements.

Following a preliminary investigation, on 21 December 2020, the Revenue Agency served an order to appear for the establishment of the cross-examination of the years 2012-2013-2014-2015, in order to better verify whether the Company actually behaved "ex ante" in this sense.


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The company has provided all requested documentation and is actively cooperating with the Agency. The Company has made provisions for risks.

28) OPERATING REVENUES AND INCOME

The breakdown of operating revenue and income for the period, which totalled 2,770 million euros (2,665 million euros in 2019), is provided in the following table.

(million €)	2019	2020
Core business revenue	2,635	2,735
Other operating revenues and income	30	35
Total operating revenues and income	2,665	2,770

The Group generates most of its revenue in Italy. An analysis of revenue by business segment can be found in Note 35 - "Information by business segment".

Revenue from related parties is illustrated in Note 36 "Related-party transactions".

CORE BUSINESS REVENUE

Core business revenue, which totalled 2,735 million euros (2,635 million euros in 2019), is analysed in the following table:

(million €)	2019	2020
Natural gas transportation	2,006	2,010
Storage of natural gas	511	499
Liquefied Natural Gas (LNG) regasification	17	21
Corporate and other activities	101	205
Total core business revenue	2,635	2,735

Natural gas transportation

Core business revenues (2,010 million euros) mainly relate to service fees for transportation activities (1,976 million euros) and mainly concern Eni S.p.A. (812 million euros; 1,114 million euros in 2019) and Enel Trade S.p.A. (277 million euros; 319 million euros in 2019).