

Revenue is generated by applying regulated tariffs or market conditions. The revenue was generated mainly in Italy; costs were incurred almost entirely in Italy.

### 33) RELATIONSHIPS WITH RELATED PARTIES

Considering the de facto control of CDP S.p.A. over Snam S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, based on the current Group ownership structure the related parties of Snam are represented by Snam's associates and joint ventures as well as by the parent company CDP S.p.A. and its subsidiaries and joint ventures, including joint ventures held with the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities, and their relatives, are also regarded as related parties of Snam Group and CDP.

As explained in detail below, related-party transactions mainly concern the exchange of goods and the provision of regulated services in the gas sector. Transactions between Snam and related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group. Pursuant to the provisions of the applicable legislation, the Company has adopted internal guidelines to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and auditors declare their interests affecting the company and the group every six months, and/or when changes in said interests occur; they also inform the CEO (or the Chairman, in the case of the CEO), who in turns informs the other directors and the Board of Statutory Auditors, of individual transactions that the company intends to carry out and in which they have an interest.

Snam is not subject to management and coordination. Snam manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil Code.

In terms of related-party transactions, the following should be pointed out pursuant to the disclosure obligations set forth under Consob Regulation No. 17221 of 12 March 2010:

- the stipulation by Snam Rete Gas S.p.A. and Eni S.p.A. of the natural gas transmission contract for Thermal Year 2017-2018. On 02 February 2018, the value of the transport contract exceeded the significance threshold of 140 million as defined in the Snam "Procedure for transactions in which directors and auditors have an interest and transactions with related parties";
- the stipulation by Snam Rete Gas S.p.A. and Enel Global Trading S.p.A. of the natural gas transmission contract for Thermal Year 2017-2018. On 03 October 2018, the value of the transport contract exceeded the significance threshold of 140 million as defined in the Snam "Procedure for transactions in which directors and auditors have an interest and transactions with related parties."

The contracts are defined in accordance with the procedures provided for in the Snam Rete Gas S.p.A. Network Code approved by the Regulatory Authority for Energy Networks and the Environment (ARERA) pursuant to Resolution 75/2003, as amended.

The calculation of a fee for services rendered take place through application of the natural gas transportation and dispatching tariffs approved by Resolution of the Authority. These contracts constitute ordinary transactions concluded at arm's length or standard conditions insofar as, in accordance with paragraph 2 of the Guidelines (published on the website [www.snam.it](http://www.snam.it)): (i) they are part of the core business and related financial operations; (ii) the conditions applied are based on regulated tariffs.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the current and prior financial years. The nature of the most significant transactions is also stated.

## Commercial and other transactions

Commercial and other transactions can be broken down as follows:

31.12.2017						2017				
(€ million)	Receivables	Other assets	Payables	Other liabilities	Guarantees and commitments	Costs (a)		Revenue (b)		
						Goods	Services	Other	Services	Other
Companies under joint control and associates										
- TAG GmbH	5		5	1		17			4	17
- Terêga S.A.S. (c)	1									
- Trans Adriatic Pipeline AG (TAP)	5			13	419				6	
	11		5	14	419	17			10	17
Snam Foundation								1		
Parent company										
- Cassa depositi e prestiti			91							
			91							
Companies controlled by the parent company										
Cassa depositi e prestiti										
- Italgas Group	29		6		86		1	7	61	1
- Terna Group							1			
	29		6		86		2	7	61	1
Companies jointly controlled by the parent company										
Cassa depositi e prestiti										
- Saipem Group			33			1	30			
- Valvitalia Finanziaria S.p.A.						2	1			
			33			3	31			
Companies owned or controlled by the State										
- Gestore dei mercati energetici S.p.A.	6		10			2				
- Anas Group		1	3					3		
- Enel Group (d)	122		14						321	
- Eni Group (d)	306	1	38		1		18	1	1,235	1
- Ferrovie dello Stato Group	1		2					3		
	435	2	67		1	2	18	7	1,556	1
Total	475	2	202	14	506	22	51	15	1,627	19

(a) Inclusive of costs for goods and services to be used in investment activities.

(b) Before tariff components which are offset in costs.

(c) Terêga has been the new name of TIGF since 30 March 2018.

(d) Inclusive of amounts on the balance sheet relating to balancing activities.

	31.12.2018					2018				
(€ million)	Receivables	Other assets	Payables	Other liabilities	Guarantees and commitments	Costs (a)		Revenue (b)		
						Goods	Services	Other	Services	Other
<b>Companies under joint control and associates</b>										
- Interconnector UK	1			1					1	
- Senfluga	3				64				3	
- TAG GmbH									3	
- Terēga S.A.S. (c)	1									
- Trans Adriatic Pipeline AG (TAP)	6			26	1,453				10	
	11			27	1,517				17	
<b>Snam Foundation</b>								2		
<b>Parent company</b>										
- Cassa depositi e prestiti			96							
			96							
<b>Companies controlled by the parent company Cassa depositi e prestiti</b>										
- Italgas Group	5		1					3	16	
- Terna Group							1			
	5		1				1	3	16	
<b>Companies jointly controlled by the parent company Cassa depositi e prestiti</b>										
- Saipem Group			19				19			
- Valvitalia Finanziaria S.p.A.						5	2			
			19			5	21			
<b>Companies owned or controlled by the State</b>										
- Gestore dei mercati energetici S.p.A.	26		14			47				
- Anas Group	1	1	3							
- Enel Group (d)	81		55						337	
- Eni Group (d)	282		84			1	23	1	1,226	1
- Ferrovie dello Stato Group	4		1						4	
- Finmeccanica Group			1			1				
	394	1	158			48	23	1	1,567	1
<b>Total</b>	<b>410</b>	<b>1</b>	<b>274</b>	<b>27</b>	<b>1,517</b>	<b>53</b>	<b>45</b>	<b>6</b>	<b>1,600</b>	<b>1</b>

(a) Inclusive of costs for goods and services to be used in investment activities.

(b) Before tariff components which are offset in costs.

(c) Terēga has been the new name of TIGF since 30 March 2018.

(d) Inclusive of amounts on the balance sheet relating to balancing activities.

### Companies under joint control and associates

The main commercial relations with jointly controlled and associated companies refer to:

- the purchases and sales of gas by TAG as part of the balancing service, as governed by the Service Balance Agreement, an agreement aimed at ensuring the daily balance between the quantities measured and the quantities expected at the Tarvisio entry point;
- the provision of services to TAG for the realisation of the transport infrastructures governed by the 'Engineering, Procurement and Construction Management (EPCM) Agreement;
- the provision to TAP of services for the construction of transport infrastructures governed by the Engineering and Project Management (EPMS) Agreement;
- the residual commitments, undertaken by Snam to TAP, as the shareholder in charge of financing the project due to the level of the shareholding held, equal to 20% and the Debt Service Guarantee during the construction and commissioning of the first section of the network<sup>48</sup>.
- the "on-demand" guarantee given in the favour of the Greek privatisation agency (TAIPED) during the tender for the purchase of 66% of DESFA, the national operator in the natural gas infrastructures sector in Greece<sup>49</sup>.

### Companies controlled by the parent company Cassa depositi e prestiti

The most significant commercial transactions with the subsidiaries of Cassa depositi e prestiti regard the supply to the Italgas Group of services provided by Snam S.p.A., mainly relating to ICT services and staff services. Services are regulated according to costs incurred with a full cost logic. With the year ended as at 31 December 2018, all contracts for services provided to the Italgas Group had been terminated.

### Companies jointly controlled by the parent company Cassa depositi e prestiti

Among the main commercial relations with companies that are jointly controlled by Cassa depositi e prestiti we note the purchase from Saipem of design and supervision services for the realisation of natural gas transport and storage infrastructures, regulated by contracts concluded at arm's length.

### Companies owned or controlled by the State

The key transactions with State-owned or controlled companies relate to:

- the provision to the Eni Group and the Enel Group of natural gas transport, regasification and storage services, which are settled on the basis of tariffs set by the Authority;
- purchase from the Eni Group of electricity used for operations.

Additionally, as at 31 December 2018, there were assets resulting from transactions with Eni as part of the national tax consolidation scheme in force until 31 July 2012.

<sup>48</sup> For more information, see the note no 25 "Commitments, guarantees and pledges – TAP".

<sup>49</sup> The guarantee was released on 09 January 2019.

## Financial transactions

Financial transactions can be broken down as follows:

(€ million)	31.12.2017		2017	
	Receivables	Payables	Expense	Income
<b>Companies under joint control and associates</b>				
- GasBridge1 B.V. GasBridge 2 B.V.		15		
- Trans Adriatic Pipeline AG (TAP)	373			6
	<b>373</b>	<b>15</b>		<b>6</b>
<b>Parent company</b>				
- Cassa depositi e prestiti (*)			1	
			<b>1</b>	
	<b>373</b>	<b>15</b>	<b>1</b>	<b>6</b>

(\*) This refers to costs incurred for loans granted by the European Investment Bank - EIB.

(€ million)	31.12.2018		2018	
	Receivables	Payables	Expense	Income
Companies under joint control and associates				
- Trans Adriatic Pipeline AG (TAP)	10			8
	<b>10</b>			<b>8</b>

### Companies under joint control and associates

Financial transactions involving joint ventures and associates regard financial receivables relative to the residual portion of the shareholders' loan granted to the associate Trans Adriatic Pipeline AG (TAP) and related financial income.

### Impact of related-party transactions or positions on the balance sheet, income statement and statement of cash flows

The impact of related-party transactions or positions on the balance sheet and income statement is summarised in the following table:

(€ million)	31.12.2017			31.12.2018		
	Total	Related parties	Share %	Total	Related parties	Share %
<b>Statement of financial position</b>						
Trade receivables and other current receivables	1,658	475	28.6	<b>1,347</b>	<b>420</b>	<b>31.2</b>
Other non-current receivables	373	373	100.0	<b>1</b>		
Other non-current assets	50	2	4.0	<b>36</b>	<b>1</b>	<b>2.8</b>
Short-term financial liabilities	1,373	15	1.1	<b>1,976</b>	<b>27</b>	<b>1.4</b>
Trade and other payables	1,673	202	12.1	<b>1,768</b>	<b>274</b>	<b>15.5</b>
Other current liabilities	79	14	17.7	<b>86</b>	<b>27</b>	<b>31.4</b>

The impact of related-party transactions on the income statement is summarised in the following table:

(€ million)	2017			2018		
	Total	Related parties	Share %	Total	Related parties	Share %
<b>Income statement</b>						
Core business revenue	2,493	1,627	65.3	<b>2,555</b>	<b>1,600</b>	<b>62.6</b>
Other revenue and income	40	19	47.5	<b>31</b>	<b>1</b>	<b>3.2</b>
Purchases, services and other costs	355	43	12.1	<b>311</b>	<b>77</b>	<b>24.8</b>
Personnel cost	171	6	3.5	<b>201</b>		
Financial expenses	291	1	0.3	<b>253</b>		
Financial income	9	6	66.7	<b>13</b>	<b>8</b>	<b>61.5</b>

These transactions are generally settled at arm's length, i.e. the conditions which would be applied for two independent parties.

The principal cash flows with related parties are shown in the following table.

(€ million)	2017	2018
Revenue and income	1,646	<b>1,601</b>
Cost and expense	(49)	<b>(77)</b>
Change in trade receivables and other current receivables	25	<b>64</b>
Change in trade and other payables	8	<b>80</b>
Change in other current liabilities	12	<b>13</b>
Interest received (paid)	(1)	
<b>Net cash flow from operating activities</b>	<b>1,641</b>	<b>1,681</b>
Investments::		
- Tangible and intangible assets	(39)	<b>(27)</b>
- Equity investments		
- Long term financial receivables	(154)	<b>(148)</b>
- Change in payables and receivables relating to investment activities	(11)	<b>(13)</b>
<b>Cash flow from investments</b>	<b>(204)</b>	<b>(188)</b>
<b>Net cash flow from investment activities</b>	<b>(204)</b>	<b>331</b>
Increase (decrease) in short-term financial debt	(3)	<b>(14)</b>
<b>Net cash flow from financing activities</b>	<b>(3)</b>	<b>(14)</b>
<b>Total cash flows with related parties</b>	<b>1,434</b>	<b>1,998</b>

The effect of cash flows with related parties is shown in the following table:

(€ million)	31.12.2017			31.12.2018		
	Total	Related parties	Share %	Total	Related parties	Share %
Cash flow from operating activities	1,864	1,641	88.04	<b>1,826</b>	<b>1,681</b>	<b>92.1</b>
Cash flow from investment activities	(1,441)	(204)	14.2	<b>(665)</b>	<b>331</b>	
Cash flow from financing activities	262	(3)	N.A.	<b>(731)</b>	<b>(14)</b>	<b>1.9</b>

### 35) SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

### 36) POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

### 37) SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

There were no significant events after the end of the financial year.

### 38) PUBLICATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised for publication by Snam's Board of Directors at its meeting of 18 February 2019, in accordance with the law.