Notes to the consolidated financial statements

COMPANY INFORMATION

The Snam Group, consisting of Snam S.p.A., the consolidating company, and its subsidiaries (hereafter referred to as "Snam", the "Snam Group" or the "Group"), is an integrated group at the forefront of the regulated gas sector and a major player in terms of its regulatory asset base (RAB) in the sector.
In Italy, Snam operates in the regulated natural gas transportation and dispatch business, the regasification of liquefied natural gas and the storage of natural gas. It also has a presence in the energy transition business: sustainable mobility, biomethane infrastructure for the generation of biomethane from organic waste and agricultural and agro-industrial waste, energy efficiency services for apartment buildings, the public administration and industry. Snam operates in Europe's major energy corridors through agreements with and equity investments in the leading industry players. It has a presence in Austria through its subsidiaries (TAG and GCA), France (Terēga), Greece (DESFA) and the United Kingdom (Interconnector UK) and is one of the main shareholders of TAP (Trans Adriatic Pipeline).
Snam S.p.A. is a joint-stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices at 7, Piazza Santa Barbara, San Donato Milanese (MI).
Through the resolution of 1 August 2019, the Board of Directors of CDP S.p.A. which, through the subsidiary CDP Reti S.p.A. owns a stake in Snam S.p.A. of 31.04%, reclassified its equity investment in the latter, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraphs 1 and 2 of the Italian Civil Code and Article 93 of the TUF.
No management or coordination activity of CDP S.p.A. has been formalised or exercised over Snam S.p.A.

1) BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002 and to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) and the currently applicable interpretations issued by the IFRS Interpretation Committee (IFRSIC), including those previously issued by the Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) prior to that. For simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".
The consolidated financial statements are prepared in consideration of future business continuity using the historical cost method, taking into account value adjustments where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.
The consolidated financial statements as at 31 December 2019, approved by the Board of Directors of in its meeting of 18 March 2020, are audited by PricewaterhouseCoopers S.p.A. (PwC). PWC has full responsibility for auditing the consolidated financial statements of the Snam Group; in the limited cases in which other auditors intervene, it assumes responsibility for the work carried out by the latter.
The consolidated financial statements are presented in euros. Given their size, amounts in the financial statements and respective notes are expressed in millions of euros, unless otherwise specified.

2) ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE FROM 2019

For the financial year ended 31 December 2019, the Group applied accounting standards in line with those of the previous year, with the exception of the accounting standards and interpretations which came into force in the year starting on 1 January 2019, which are described below.

IFRS 16 "Leasing"

Through regulation 2017/1986 issued on 31 October 2017, the European Commission adopted the regulatory provisions contained in the document "IFRS 16 Leasing", issued by the IASB on 13 January 2016, which defines a lease as a contract that attributes to an entity the right to use an asset for a specific period of time in exchange for consideration and eliminates, for the lessor, the distinction between the financial and the operating lease, introducing a single accounting model for leasing.

Definition of leasing

By applying this model, the entity recognises: (I) in its balance sheet, an asset representing the relative right to use the asset and a liability representing the obligation to make the payments contractually agreed upon, for all leases with a duration of more than 12 months

not considered material[1]; (ii) in its income statement, depreciation of the asset recognised and, separately, the debt income recorded.
The distinction between an operating and a financial lease continues to apply for preparation of the financial statements of lessors.
The provisions in IFRS 16 replace the provisions in IAS 17 "Leasing" and in IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" and are effective for financial years before or after 1 January 2019.
The Group adopted IFRS 16 from 1 January 2019 amending its own accounting principle for reporting lease agreements as a result. Specifically, IFRS 16 was applied using the amended retroactive application method (IFRS 16.C5b and C7), by virtue of which the cumulative effect of the first time application is reported as an adjustment of the opening balance of the retained earnings from 1 January 2019 without restating the comparative information.
At the first time application date, the Group decided to adopt the practical expedient in the transition provisions of IFRS 16 that allows the principle to be applied to contracts previously classified as lease agreements by applying IAS 17 and IFRIC 4 and not applying this principle to agreements that were not identified as containing a lease by applying IAS 17 and IFRIC 4 (IFRS16.C3). Therefore, the definition of leasing contained in IFRS 16 was only applied to agreements signed or amended on 1 January 2019 or a later date.

Accounting model for the lessor

As a lessor, by applying the provisions of IAS 17 and IFRIC 4, the Group classified leases as operating or financial, assessing whether the agreement essentially transfers all the risks and benefits associated with the ownership of the underlying asset. From 1 January 2019, the Group applied IFRS 16 reporting assets as rights of use and liabilities for leases in its statement of financial position as illustrated below.
Specifically, lease liabilities were initially reported at an amount equal to the current value of the following payments due for the lease not yet made at the commencement date: (i) fixed (or essentially fixed) payments, net of any incentives to receive; (ii) variable payments that depend on rates or indices; (iii) an estimate of the payment, by the lessor, as a guarantee of the residual value; (iv) the payment of the exercise price of the purchase option, if the lessor is reasonably certain of exercising it; and lastly (v) the payment of contractual penalties for the termination of the lease if the lessor is reasonably certain of exercising this option.
The current value of the payments is calculated using a discount rate equal to the Group's incremental borrowing rate taking into account the frequency and duration of payments under the lease agreement. Following the initial reporting, lease liabilities are valued at the amortised cost and restated, to offset the recorded value of the related right-of-use asset if there is a change in payments due for lease following: (i) contractual renegotiations; (ii) changes in rates or indices; or (iii) changes in the assessments made with regard to the exercising of the contractually-required options (e.g. purchase of a leased asset, extension or termination of the contract).
The right-of-use asset is initially recorded at cost, calculated as the sum of the following components: (i) the initial amount of the lease liability; (ii) the initial direct costs incurred by the lessor; (iii) any payments made at the commencement date or before it, net of any incentives received by the lessor; and (iv) the best estimate of the costs that the lessor expects to incur for the dismantling and removal of the underlying assets as well as the possible restoration of the site (or the costs for restoring the asset to the conditions established in the contract).
After the initial recording, the right-of-use asset is adjusted to take into account (i) the shares of depreciation and amortisation, (ii) any losses in value and (iii) the related effects and any restatements of the lease liability.

During the first time application, the Group decided to avail itself of the following practical expedients and/or options set out in the accounting principle, with reference to leases previously classified as operating leases, pursuant to IAS 17:

- value the right-of-use asset at the amount equal to the amount equal to the initial liability of the lease net of any prepayments recorded in the statement of financial position immediately before the first time application date (IFRS 16.C8b) ii);
- not reporting assets and liabilities relating to leases which end within 12 months of the initial application date; these agreements will be recorded as short-term leases (IFRS 16.C10c);
- excluding the initial direct costs from the valuation of the right-to-use asset at the first time application date (IFRS 16.C10d);
- with reference to the extension and termination options, the Group based its own evaluations on the experience gained at the initial application date.

The contracts in which Snam is the lessor (or lessee) mainly refer to property rental and the long-term vehicle leasing.

1 Snam uses the waiver permitted for short-term leasing and for those of a moderate value, recording payments relating to these types of leases in the income statement as long-term operating costs of the lease agreement.

Leases previously classified as financial leases

With reference to leases previously classified as financial pursuant to IAS 17, the book value of the right-of-use asset and the lease liability at 1 January 2019 corresponds to the book value of the leased asset and the lease liabilities in accordance with IAS 17 immediately before this date.

Effects on the financial statements

The effects of the first time application of IFRS 16, also taking into account the practical expedients listed above, have led to an increase in financial liabilities of €20 million and an increase in assets for property, plant and equipment of €20 million. The impact on the Group's shareholders' equity, net of the related tax effect, was consequently zero.

During the valuation of lease liabilities, the Group discounted the payments due for leases using the weighted average of the marginal borrowing rate at 1 January 2019, equal to 1.33%. This value was calculated by weighting the market returns of the bond loans issued by Snam, diversified according to the duration of the various lease agreements.

At 1 January 2019, the existing differential between the increase in financial liabilities and the amount of commitments reported in the financial statements in connection with operating lease agreements that cannot be cancelled, stood at €14 million mainly attributable (over 90%) to the effect resulting from the inclusion of the definite reasonably renewable options in the minimum contractual term.

IFRIC 23 "Uncertainty over income tax treatments"

Regulation 2018/1595, issued by the European Commission on 23 October 2018 homologated the regulatory provisions contained in IFRIC 23 "Uncertainty over income tax treatments" issued by the IASB on 7 June 2017. The document provides guidelines on how to calculate current and deferred taxes if there are uncertainties over the application of tax regulations. In calculating the income taxes to be reported in the financial statements, the entity should consider the probability that the tax authority may or may not accept the tax treatment adopted by the entity. If the above acceptance is deemed unlikely, the entity should reflect the uncertainties in the calculation of current and deferred taxes, making use of one of the following methods: the most likely amount and the expected value; if this is not the case, the income taxes recorded in the financial statements will be consistent with the tax treatment adopted in the tax declaration. The entity should review the estimates of the uncertainties if new information becomes available or there are changes in circumstances. These provisions will take effect from financial years starting on or after 1 January 2019. No significant impacts were recorded in the financial statements resulting from the adoption of the new interpretation.

Other principles/interpretations in force from 1 January 2019

Regulation 2019/237 issued by the European Commission on 8 February 2019 approved the regulatory provisions in the document "Long-term interests in associate companies and joint ventures". Amendments to IAS 28 Investments in associate companies and joint ventures issued by the IASB on 12 October 2017. The document offers several clarifications for companies that have interests in financial projects mainly with loans advanced to associate companies and joint ventures rather than through equity funding. Specifically, for long-term loans, which essentially represent a further net investment of the entity, in the associate company or joint venture, to which the net equity method is not applied, the entity should: (i) carry out an impairment test applying the expected credit loss model of IFRS 9 "Financial Instruments", and later on (ii) applying the net equity method to the residual balance until zero is reached and then carrying out the impairment test governed by IAS 36 if the conditions of IAS 28.40-43 are complied with.

European Commission Regulation No. 2019/402 of 13 March 2019 officially endorsed the provisions of the document "Amending, reducing or extinguishing the plan". Amendments to IAS 19 "Employee benefits" issued by the IASB on 7 February 2018. The document specifies the accounting rules for cases in which an amendment, reduction or extinguishment of an existing defined-benefit plan takes place;, if one of the situations mentioned above occurs during the year,an entity is obliged to apply the updated actuarial theories in restating its net liability (asset) for the rest of the subsequent period.

Regulation 2019/412 issued by the European Commission on 14 March 2019 approved the regulatory provisions contained in the "Annual cycle of updates to IFRS 2015-2017" issued by the IASB on 12 December 2017. The document contains amendments to the following principles: (i) IFRS 3 "Business Combinations", defining that when an entity gains control of a business, that could previously be qualified as a joint options, it should remeasure the interest previously owned in that business, because the operation is configured as a business combination created in several stages; (ii) IFRS 11 "Joint Arrangements", clarifying that, when an entity that participates in a joint operation without having joint control, acquires joint control, it does not have to remeasure the interest previously held in that business; (iii) IAS 12 "Income taxes", clarifying that, irrespective of the fact that the dividends were reported as a reduction of shareholders' equity, an entity should report the physical effects of the dividends for purpose of tax on the income

in the income statement at the time of the liability relating to dividend to be paid; (iv) IAS 23 "Financial expense", clarifying that specific loans required for the construction and/or purchase of an asset, if they remain in existence even after the time at which the asset is available and ready for use or sale, should no longer be considered as specific and therefore should be included in the general loans in order to define the capitalisation rate. In addition, the document specifies how the amount of financial expense that an entity could capitalise during a financial year should not exceed the amount of financial expense incurred during that financial year.
European Commission Regulation 2018/498 of 22 March 2018 officially endorsed the following: the regulatory provisions contained in the document "Elements of early payment with negative compensation - Amendments to IFRS 9" issued by the IASB on 12 October 2017. The document allows the measurement at amortised cost or at the Fair Value Through Other Comprehensive Income (FVTOCI) of a financial asset featuring an early payment option through negative compensation. The document also clarified the accounting method of an amendment to or exchange of a financial liability at amortised cost that has not been subject to derecognition. The difference between original contractual cash flows and the modified cash flows, discounted at the effective interest rate, should be reported in the income state at the date of the amendment or exchange.
No impacts were identified as a result of the implementation of the above-mentioned arrangements.

3) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Snam S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 – "Consolidated Financial Statements". Specifically, control exists where the controlling entity simultaneously:

- has the power to make decisions concerning the investee entity;
- is entitled to receive a share of or is exposed to the variable profits and losses of the investee entity;
- is able to exercise power over the investee entity in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an investee entity depends.
Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the appendix "Subsidiaries, associates and equity investments of Snam S.p.A. at 31 December 2019", which is an integral part of these notes. The same appendix lists the changes that took place in the scope of consolidation between 31 December 2018 and 31 December 2019.
All financial statements of consolidated companies close at 31 December and are presented in euros.

Companies included in the scope of consolidation

Figures relating to subsidiaries are included in the consolidated financial statements, based on standardised accounting principles, from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.
The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the investee entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control. The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income.
Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under equity pertaining to shareholders of the parent company.
Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Equity investments in associates and joint ventures

An associate is an investee company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies, but does not have control or joint control[2]. It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.
A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.
Equity investments in associates and joint ventures are measured using the equity method, as described under "Equity-accounted investments".

Business combinations

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.
The shareholders' equity of these investee companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.
Where total control is not acquired, the share of equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill (Partial goodwill method or full goodwill method) is made based on each individual business combination transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.
When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3, and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired (or the vendor company) pre-dating the transaction or, alternatively, at the values from the consolidated financial statements of the common ultimate parent.
With regard to the sale of business, the treatment of the difference between the contractually defined consideration and the carrying amounts of the transferred business is differentiated depending on the entities involved in the transfer.

2 Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

With regard to contributions involving businesses under common control, on the other hand, irrespective of the pre-existing investment relationship, the transferee entity must recognize the transferred business at its historical carrying value, increasing its own equity by an equal amount; the transferring entity shall y recognize the investment in the transferee entity at an amount equal to the increase in the latter's shareholders' equity.
This accounting treatment refers to the proposal by Assirevi in the Preliminary Guidelines on IFRS (OPI No. 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued in October 2016.

Accounting treatment of put options written on the shares of a subsidiary

Under IAS 32, paragraph 23, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (fixed-price put option).
Therefore, if the entity does not have the unconditional right to avoid delivery of cash or other financial instruments when a put option on shares in subsidiaries is exercised, the liability is recognised; all subsequent changes are recognised in profit or loss. The same accounting treatment is applicable when, in addition to a put option, there is also the simultaneous presence of a symmetrical put and call options related to non-controlling interest.
Snam considers shares already acquired by the Group to be the subject of put options (i.e. symmetrical put and call options), in cases where non-controlling interests do not remain with third-party shareholders, the economic benefits and risks associated with the actual ownership of the shares; therefore, in such circumstances, it does not recognise non-controlling interests in the consolidated financial statements.

Intragroup transactions that are eliminated in the consolidation process

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

4) MEASUREMENT CRITERIA

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at cost and recorded at the purchase, transfer or production cost, including directly allocable ancillary costs needed to make the assets available for use. When a significant period of time is needed to make the asset ready for use, the purchase, transfer or production cost includes the financial expense which theoretically would have been saved during the period needed to make the asset ready for use, if the investment had not been made.
If there are current obligations to dismantle and remove the assets and restore the sites, the book value includes the estimated (discounted) costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision. The accounting treatment for revisions in these cost estimates, the passage of time and the discount rate are indicated in the paragraph "Provisions for risks and charges".
Property, plant and equipment may not be revalued, even through the application of specific laws.
The costs of incremental improvements, upgrades and transformations to/of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The balance sheet assets also contain items purchased for security or environmental reasons which, although not directly improving the future economic benefits of the existing assets, are necessary to carry out corporate activity.
The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses, other than replacement of identifiable components, which restore but do not increase the performance of the assets, are posted in the income statement in the year in which they were incurred.
Property, plant and equipment includes: (i) with regard to natural gas transportation, the value relating to the quantities of natural gas injected to bring natural gas pipelines into service. The valuation is carried out using the weighted average purchase price method. Specifically, the component of this quantity that can no longer be extracted (the "initial line pack") is depreciated over the useful life of the plant to which it refers. On the contrary, the commercial component, which may be sold on the market or employed for alternative uses (the "operating line pack"), is not depreciated, since it is not, by its nature, subject to

depreciation; and (ii) with regard to natural gas storage, the quantity of gas that is reinjected into the storage wells to form cushion gas.
Property, plant and equipment is derecognized on disposal or when no future economic benefit is expected from its use or disposal; the relative profit or loss is recognized in the income statement.

Depreciation of property, plant and equipment

Starting when the asset is available and ready for use, property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.
The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application[3]:

Annual amortisation rate (%)

Buildings	2-2.5
Plant and equipment - Transportation	
Pipelines	2
Compression stations	5
Gas reduction/regulation plants	5
Radio links	25
Measuring and control instruments and systems	5
Plant and equipment - Storage	
Pipes	2
Treatment stations	4
Compression stations	5
Storage wells	2
Monitoring and control instruments and systems	5
Plant and equipment - Regasification	
Regasification plants	4
Tanks and pipelines	4
Centralized IT infrastructures	20
Other plant and equipment	2.5-12.5
Metering equipment	5
Industrial and commercial equipment	10-35
Other assets	10-33
Rights of use	the economic-technical life and duration of the contract

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately. Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale and discontinued operations" section).
Depreciation rates are reviewed each year and are altered if the current estimated useful life of an asset differs from the previous estimate. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.
Freely transferable assets, if any, are depreciated during the period of the concession or of the useful life of the asset, if lower.

Leasing

A contract is or contains a lease if it gives an entity the right to control the use of an identified asset for a certain period of time in exchange for a fee[4].
By applying this model, the lessor[5] recognises: (I) in its balance sheet, an asset representing the relative right to use the asset and a liability representing the obligation to make the payments contractually agreed upon, for all leases with a duration of more than 12 months not considered

3 The application rate or internal could be higher depending on the residual life following business combination acquisitions and/or transactions.

4 The provisions of IFRS 16 "Leasing" came into force on 1 January 2019. The Group applied the new arrangements without restating the previous years or comparison, as permitted by the same principle (amended retroactive application method as governed by paragraphs C5b and C7 of IFRS 16.). Previously the arrangements in force governing leasing essentially required: (i) that assets under finance leases, that refer to agreements involving the essential transfer of the risks and benefits of the ownership, are recorded, at the contract start date, in the balance sheet assets at the fair value of the asset, net of contributions that the lessor is responsible for or, if less, at the current value of the minimum payments due for the lease, offsetting the financial payable to the tenant; and, on the other hand (ii) with reference to operating leases, for the entire duration of the contract, the allocation of the rental to the income statement.

5 The distinction between operating and finance leases, on the other hand, is maintained for the purpose of preparing the financial statements of the lessors.

material[6]; (ii) in its income statement, depreciation of the asset recognised and, separately, the debt income recorded. With reference to the duration of the lease, in addition to the period of the contract that cannot be cancelled, where there is reasonable certainty, the additional periods offered by the contractual extension options are also considered, or connected to the failure to exercise the early termination options in the contract.

Lease liabilities were initially reported at an amount equal to the current value of the following payments due for the lease not yet made at the commencement date: (i) fixed (or essentially fixed) payments, net of any incentives to receive; (ii) variable payments that depend on rates or indices; (iii) an estimate of the payment, by the lessor, as a guarantee of the residual value; (iv) the payment of the exercise price of the purchase option, if the lessor is reasonably certain of exercising it; and lastly (v) the payment of contractual penalties for the termination of the lease if the lessor is reasonably certain of exercising this option. The current value of the payments is calculated using a discount rate equal to the Group's incremental borrowing rate taking into account the frequency and duration of payments under the lease agreement. Following the initial reporting, lease liabilities are valued at the amortised cost and restated, to offset the recorded value of the related right-of-use asset if there is a change in payments due for lease following: (i) contractual renegotiations; (ii) changes in rates or indices; or (iii) changes in the assessments made with regard to the exercising of the contractually-required options (e.g. purchase of a leased asset, extension or termination of the contract).

The right-of-use asset is initially recorded at cost, calculated as the sum of the following components: (i) the initial amount of the lease liability; (ii) the initial direct costs incurred by the lessor; (iii) any payments made at the commencement date or before it, net of any incentives received by the lessor; and (iv) the best estimate of the costs that the lessor expects to incur for the dismantling and removal of the underlying assets as well as the possible restoration of the site (or the costs for restoring the asset to the conditions established in the contract). After the initial recording, the right-of-use asset is adjusted to take into account (i) the shares of depreciation and amortisation, (ii) any losses in value and (iii) the related effects and any restatements of the lease liability.

6 Snam uses the waiver permitted for short-term leasing and for those of a moderate value, recording payments relating to these types of leases in the income statement as long-term operating costs of the lease agreement.

Intangible assets

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. The ability to identify these assets rests in the ability to distinguish intangible assets purchased from goodwill. Normally this requirement is satisfied when: (i) the intangible assets are related to a legal or contractual right, or (ii) the asset is separable, i.e. it can be sold, transferred, leased or exchanged independently, or as an integral part of other assets. The company's control consists of the power to utilise future economic benefits deriving from the asset and the ability to limit access to it by others. Intangible assets are recorded at cost, which is determined using the criteria indicated for property, plant and equipment. They may not be revalued, even through the application of specific laws. Technical development costs are allocated to the balance sheet assets when: (i) the cost attributable to the intangible asset can be reliably determined; (ii) there is the intent, availability of financial resources and technical capability to make the asset available for use or sale; and (iii) it can be shown that the asset is capable of producing future economic benefits.

Alternatively, costs for the acquisition of new knowledge or discoveries, investigations into products or alternative processes, new techniques or models, or the design and construction of prototypes, or incurred for other scientific research or technological developments, which do not meet the conditions for disclosure under balance sheet assets are considered current costs and charged to the income statement for the period in which they are incurred.

Intangible fixed assets are derecognized on disposal or when no future economic benefit is expected from their use or disposal; the relatives profit or loss is recognized in the income statement.

Storage concessions

The value of storage concessions, which consists of the natural gas reserves present in deposits ("cushion gas"), is recorded under "Concessions, licences, trademarks and similar rights" and is not subject to amortisation, since: (i) the volume of said gas is not modified by storage activities; and (ii) the economic value of the gas that can be recovered at the end of the concession, pursuant to the provisions of the Ministerial Decree of 3 November 2005, "Criteria for determining an adequate consideration for the return of assets intended for a concession-holder for natural gas storage" of the Ministry of Productive Activities, is not lower than the value recorded in the financial statements.

Amortisation of intangible assets

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset.
The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

Annual amortisation rate (%)

Other intangible fixed assets	
Industrial patent rights and intellectual property rights	20-33
Other intangible assets	20, or according to the duration of the contract

Goodwill and intangible assets with an indefinite useful life are not subject to amortisation.

Grants

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of their related assets. Similarly, capital grants received from private entities are recognised in accordance with the same regulatory provisions.
Operating grants are recognised in the income statement on an accruals basis, consistent with the relative costs incurred.

Impairment of non-financial fixed assets

Impairment of property, plant and equipment and intangible assets with a finite useful life

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Measurement at fair value") or the value in use, whichever is greater.
Value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.
The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets (Cash Generating Units or CGUs).
If the reasons for impairment losses no longer apply, the assets are revalued and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any depreciation that would have been recorded if an impairment loss had not been recorded for the asset.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

Investments valued using the equity method

Equity investments in joint ventures and associates are valued using the equity method.
In applying the equity method, investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the investee after the date of acquisition, and (ii) the share of the other components of comprehensive income of the investee. Dividends paid out by the investee

are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).
In the case of assumption of an association (or joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the investments previously held at assumption of association is posted to the income statement, including any components recognised under other components of comprehensive income. When the transferral of equity investments entails loss of joint control or significant influence over the investee company, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of recorded value; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other components of comprehensive income relating to the investee which will be reversed to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.
If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the carrying amount with the related recoverable value and the difference is recognised in profit and loss under "Income (expense) from equity investments".
When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".
The parent company's share of any losses of the investee company, greater than the investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the subsidiary/associate, or, in any event, to covering its losses.

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.
They are recorded at their nominal value, which corresponds to the fair value.

Inventories

Inventories, including compulsory inventories, are recorded at the lower of purchase or production cost and net realisation value, which is the amount that the entity expects to receive from their sale in the normal course of business, net of the estimated costs for the completion and the realisation of the sale.
The cost of natural gas inventories is determined using the weighted average cost method.

Note that transactions involving strategic gas do not have commercial substance[7], therefore they do not involve a change in inventories.

Financial instruments

Financial assets – debt instruments

Depending on the characteristics of the instrument and the business model adopted for management, the financial assets, that represent the debt instruments are classified into the following three categories: (i) financial assets valued at amortised cost; (ii) financial assets valued at fair value with the effects recognised under other components of comprehensive income (hereinafter also OCI); (iii) financial assets valued at fair value with the effects recognised in the income statement.
The initial recording takes place at the fair value; for trade receivables without a significant financial component, the initial value recognised is represented by the price of the transaction.
After the initial recognition, financial assets that generate contractual cash flows exclusively representative of payments of principal and interest are valued at the amortised cost if held with the purpose of collecting the contractual cash flows (the so-called hold to collect business model). According to the amortised cost method the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the

7 Or the risk, the timing or the amount of the future cash flows of the entity are not intended to change following these transactions IFRS 15.9c.

difference between the repayment amount and the initial book value.
Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.
Receivables and other financial assets valued at the amortised cost are presented in the statement of assets and liabilities net of the impairment provision.
Financial assets representing debt instruments where the business model includes both the possibility of collecting the contractual cash flows and the possibility of realising capital gains from their sale (the so-called hold to collect and sell model), they are valued at fair value with the effects recognised as OCI (hereinafter also FVTOCI).
In this case the changes in fair value of the instrument recognised at shareholders' equity, under other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity reserve that includes other components of comprehensive income is subject to reversal to the income statement at the time of the derecognition of the instrument. The interest income calculated using the effective interest rate, exchange rate differences and impairments are recorded in the income statement.
A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects recognised in the income statement (hereinafter FVTPL); financial assets held for trading come under this category.
When the purchase or the sale of financial assets takes place in accordance with a contract that involves the regulation of the transactions and the handing over of the asset within a certain number of days, established by the market control bodies or by market agreements (e.g. the acquisition of securities on regulated markets), the transaction is recognised at the regulation date.
Financial assets that are disposed of are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Impairment of financial assets

The valuation of the recoverability of financial assets representing debt instruments that are not valued at fair value with effects on the income statement is carried out based on the Expected Credit Loss model.
Specifically, the expected losses are usually calculated based on the product of: (i) the exposure to the counterparty net of mitigating features (exposure at default); (ii) the probability that the counterparty does not fulfil its payment obligation (probability of default); (iii) the estimate, in percentage terms, of the quantity of credit that is not recovered in the case of default (loss given default) defined on the basis of previous experience and possible recovery actions that can be carried out (e.g. out-of-court actions, litigation, etc.).
Taking into consideration the characteristics of regulated markets, credit exposures more than 90 days overdue are considered to be in default or, in any event, credit exposures subject to litigation or for which restructuring/renegotiation actions are taking place. Exposures for which credit recovery measures have been implemented through legal/judicial proceedings are defined as disputed.
Impairments of trade receivables and other receivables are recognised in the income statement, net of any write-backs in the item "Write-backs (write-downs) net of commercial receivables and other receivables".
The recoverability of long term financial receivables granted to associate companies and joint ventures, the repayment of which is not planned or is not probable in the foreseeable future, and which, in essence, represent a further investment in them, is valued, firstly, based on the expected credit loss model and, secondly, together with the investment in the associate company/joint venture by applying the criteria in the "Net equity method". The application of the expected credit loss model does not consider any adjustments of the book value of the long-term interest resulting from the application of the criteria in "Investments valued through the net equity method".
Because they are not held for trading, financial assets representing minority interests are valued at fair value alternatively with the recognition of the effects: (i) in the income statement (valuation at fair value recognised in the income statement or FVTPL) or (ii) in the shareholders' equity reserve that includes the other components of comprehensive income, without plans for their reversal to the income statement if realised (valuation at fair value recognised in the income statement or FVTOCI).
This classification can be made security by security, exclusively at the time of initial recognition and it is irrevocable.
The dividends from these investments are recognised in the income statement under "Income (expense) from investments". The valuation at cost of a minority interest is allowed in limited cases in which the cost represents an adequate estimate of the fair value.

Financial liabilities

Financial liabilities, unlike derivative instruments, including financial debt, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.
Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset in the balance sheet when there is: a currently legally enforceable right to set off and the intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

Derivatives, including embedded derivatives, are assets and liabilities recognised at fair value using the criteria set out under "Fair value measurement" below.
Under the scope of the strategy and objectives defined for risk management, the qualification of transactions as hedging requires: (i) the verification of the existence of an economic relationship between the object hedged and the hedging instrument for the purpose of offsetting the changes in value and ensuring this offsetting capacity is not invalidated by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives, under the scope of the risk management strategy defined, where necessary activating the appropriate rebalancing actions. The amendments of the risk management objectives, the disappearance of the conditions indicated previously for the qualification of transactions as hedging or the activation of rebalancing operations cause the total or partial prospective discontinuation of the hedge.
In order to qualify a transaction as a fair value hedge or cash flow hedge, at the start of the hedge a formal document is prepared that illustrates the strategies and objectives of the risk management and identifies the hedge instrument, the instrument hedged, the nature of the risk hedged as well as the methods through which the evaluation of whether the hedge relationship satisfies the hedge effectiveness requirements takes place.
When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments ("fair value hedge"; e.g. hedge of the risk of fluctuations in the fair value of fixed-rate assets/liabilities), the derivatives are recognised at fair value with attribution of the effects on the income statement; by the same token, the hedged instruments are adjusted to reflect in the income statement the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the instrument type.
When derivatives hedge the risk of changes in cash flows from the hedged instruments ("cash flow hedge"; e.g. hedge of changes in cash flows from assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of the effective derivatives are initially recognised in the shareholders' equity reserve for other components of comprehensive income and subsequently reported in the income statement in the same way as the economic effects produced by the hedged transaction. In the case of hedging future transactions that involve the recording of a non-financial asset or liability, the cumulative variations of the fair value of the hedge derivatives, recognised in shareholders' equity, are recognised in the adjustment of the book value of the non-financial asset/liability subject to hedging (basis adjustment).
The ineffective portion of the hedge is recorded under "(Expense) income from derivatives" in the income statement.
Changes in the fair value of derivatives which do not satisfy the requirements to be classed as hedging instruments, including any ineffective components of hedging derivatives, are recognised in the income statement. Specifically, changes in the fair value of non-hedging interest rate and currency derivatives are recognised in the income statement item "(Expense) income from derivatives".
Embedded derivatives, incorporated in financial assets, are not subject to accounting separation; in these cases the entire hybrid instrument is classified based on the general classification criteria of financial assets. Embedded instruments incorporated in financial liabilities and/or non-financial assets are separated from the main contract and measured separately if the embedded instrument: (i) meets the definition of derivative; (ii) is measured at fair value as a whole with the recognition of the effects in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely connected to those of the main contract. Assessment of the existence of embedded derivatives to be separated and accounted for as derivatives takes place when the company enters into a contract and subsequently, in the event of amendments to the contract terms and conditions that result in significant changes in the cash flow generated by the contract.

Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).
The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.
The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its maximum and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market

or other factors suggest that a different use by market operators would maximise its value.
The fair value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of financial instruments considers the credit risk of the counterparty for financial assets (through a "Credit Valuation Adjustment" - CVA) and the entity's own risk of default for financial liabilities (through a "Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs for assets or liabilities that are not based on observable market data.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

Non-current assets held for sale and discontinued operations

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Verification of compliance with the terms and conditions provided for classification of an item as held for sale requires management to make subjective valuations formulating reasonable and realistic assumptions based on the information available to it.
Non-current assets held for sale, current and non-current assets related to disposal groups and directly related liabilities are recognised in the balance sheet separately from the Company's other assets and liabilities.
Immediately prior to classification of an item as held for sale, the assets and liabilities included in a disposal group are measured as required by the accounting standards applicable to them. Subsequently, non-current assets held for sale are not amortised or depreciated, and are measured at the lower of book value and the related fair value, less any sales costs (see "Fair value measurements" above).
The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.
Any negative difference between the book value of the non-current assets and their fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.
Non-current assets and current and non-current assets (and any related liabilities) of disposal groups, classified as held for sale, constitute discontinued operations if, alternatively: (i) they represent a significant independent business unit or a significant geographical area of business; (ii) they are part of a programme to dispose of a significant independent business unit or a significant geographical area of business; or (iii) they pertain to a subsidiary acquired exclusively for the purpose of resale. The results of discontinued operations, as well as any capital gains/losses realised on the disposal, are disclosed separately in the income statement as a separate item, net of related tax effects, including for the periods under comparison.
When events occur that no longer allow non-current assets or disposal groups to be classified as held for sale, they are reclassified under the respective items of the balance sheet and measured at the lower of: (i) the book value at the classification date as held for sale; and (ii) the recoverable value at the reclassification date.

Provision for risks and charges and contingent assets

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.
Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of

the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at the value representing the best estimate of the amount that the Company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits arising from the contract, and the cost of terminating the contract.
When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".
When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset, and posting to the income statement is accomplished through amortisation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.
Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.
The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.
Contingent assets, or possible assets that result from past events and whose existence will only be confirmed when one or more uncertain future events, not totally under the control of the business, occur or do not occur, are not recognised unless obtaining the related benefits is virtually certain. If obtaining the benefits is probable, the contingent assets are illustrated in the notes to the financial statements. The contingent assets are periodically re-examined in order to assess the probability of the business obtaining economic benefits: the assets and the income are recognised.in the year in which obtaining the benefits has become virtually certain.

Employee benefits

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

- Defined-benefit plans
  The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.
  Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur, and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.
  Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Finance expense (income)".

- Defined-contribution plans
  In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.
  The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term benefits

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Payments based on shares

Labour costs, consistent with the essential nature of the remuneration that they comprise, the cost of share-based incentive plans. The incentive cost is calculated with reference to the fair value of the instruments allocated and the forecast of the number of share that will effectively be allocated; the share pertaining to the financial year is calculated pro-rata temporis throughout the vesting period, or the period between the grant date and the allocation date. The fair value of the shares underlying the incentive plan is calculated at the grant date taking into account the forecasts with regard to reaching the performance parameters associated with market conditions and is not adjusted in future financial years; when obtaining the benefit is also connected to conditions other than market conditions, the estimate relating to these conditions is reflected by adjusting the number of shares during the vesting period that are expected to effectively be allocated. At the end of the vesting period, if the plan does not allocate shares to the participants because the performance conditions have not been achieved, the share of the cost relating to the market conditions is not subject to reversal to the income statement.

Treasury shares

Treasury shares, including those held to service share-based incentive plans, are measured at cost and entered as a reduction of shareholders' equity. The economic effects arising from any subsequent sales are recognised in shareholders' equity.

Distribution of dividends

The distribution of dividends to the Company's shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's shareholders or, in the case of interim dividends, by the Board of Directors.

Foreign currency transactions

The criteria adopted by Snam to convert transactions in currencies other than the functional currency (the Euro) are summarised below:

- revenue and costs relating to transactions in currencies other than the functional currency are recognised at the exchange rate in effect on the day when the transaction was carried out;
- monetary assets and liabilities in currencies other than the functional currency are converted into Euro by applying the exchange rate in effect on the reporting date, allocating the effect to the income statement.
- non-monetary assets and liabilities in currencies other than the functional currency which are valued at cost are recognised at the initially recorded exchange rate; when the measurement is made at fair value or recoverable or realisable value, the exchange rate used is the one in effect on the valuation date.

Revenue from contracts with customers

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the obligation performance, represented by the contractual promises to transfer goods and/or services to a customer; (iii) calculating the price of the transaction; (iv) allocating the price of the transaction to the performance obligations identified based on the stand alone sales price of each of the goods or services; (v) measuring the revenue when the performance obligation is met, or at the time of the transfer to the customer of the goods or services promised; the transfer is considered to be completed when the customer obtains control of the goods or service, which can take place over time or at a point in time.
As regards the activities carried out by the Snam Group, revenue is generally recognised when the service is provided. The largest share of core revenue relates to revenue from regulated activities, with the income governed by the regulatory framework established by the Italian Regulatory Authority for Energy, Networks and the Environment. Therefore, the economic terms and conditions of services provided are defined in accordance with regulations rather than negotiations. In the transportation segment[8], the difference between the revenue recognised by the regulator (the "revenue cap") and the revenue actually accrued is recognised with a contra-entry in the balance sheet under "Other assets", if positive, or "Other liabilities", if negative. This difference will be reversed in the income statement in future years by way of tariff changes. In the Regasification and Storage segments, however, any difference between the revenue recognised by the regulator and the accrued revenue is recognised in the balance sheet item "Trade and other receivables", if positive, and in the item "Trade and other payables", if negative, inasmuch as it will be subject to cash settlement with the Energy and Environmental Services Fund (CSEA).
By virtue of the principle of neutrality defined by applicable legislation, transactions carried out on the balancing market do not generate either costs or revenue, because they are mere pass-through items. Any (positive or negative) differences from the usage of different prices for the

8 With regard to the capacity portion of revenue, penalties for exceeding committed capacity and balancing fees.

transactions above will be neutralized by recognizing an asset or liability for CSEA, given that these differences are equalized by the latter.
Revenues are measured for the amount equal to the fair value of the consideration which the business believes it has the right to in exchange for the goods and/or services promised to the customer, with the exception of amounts collected on behalf of third-parties. If there is a variable consideration, the business estimates the amount of the consideration it shall have the right to in exchange for the transfer of goods and/or services promised to the customer; specifically, the amount of the consideration can vary in the presence of discounts, incentives, concessions on the price, performance bonuses, penalties or if the actual price depends on certain future events taking place or not.
Revenue is reported net of items involving tariff components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received from Snam are paid in full to the Energy and Environmental Services Fund. Gross and net presentation of revenue is described in more detail in Note 27 - "Revenue" of the Notes to the consolidated financial statements.
Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenue.

Dividends received

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

Costs

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.
Costs relating to emission allowances, calculated on the basis of market prices, are only recognised for the portion of carbon dioxide emissions in excess of the allocated allowances. Earnings relating to emissions allowances are recognised at the point of realising the earnings by transfer.
The monetary receivables assigned in place of the free assignment of emissions allowances are recognised as a contra-entry under the income statement item "Other revenue and income".
Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

Income tax

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/ recovered to/ from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.
Regarding corporation tax (IRES), Snam has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up, except for Tea Servizi S.r.l. and Renerwaste S.r.l. and their subsidiaries. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Snam Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Snam. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate balance sheet, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Snam in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".
Deferred and prepaid income taxes are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates applicable in financial years in which the temporary difference will be cancelled, approved or essentially approved at the end closing date of the reference year of the financial statements. Prepaid tax assets are recognised when their recovery is considered probable; specifically, the recoverability of prepaid tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction.
Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability; with reference to assets for prepaid taxes, their recoverability is verified at least annually.
If there are uncertainties over the application of tax regulations: (i) if it is deemed probable that the tax

authorities will accept the uncertain tax treatment, the income taxes (current and/or deferred) to be recognised in the financial statements according to the tax treatment applied or which it is expected to apply during the tax return are calculated; (ii) in cases where it is not deemed probable that the tax authorities will accept the uncertain tax treatment, this uncertainty is reflected in calculating the (current and/or deferred) taxes to be recognised in the financial statements.
Prepaid tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset and/or at the level of the consolidating company in the presence of the taxation regime set out in the national consolidation scheme. The balance of the offsetting, if it results in an asset, is recognised under the item "Prepaid tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted to equity.

Information by operating segment

Disclosure on business segments has been prepared pursuant to IFRS 8 – "Operating Segments": consequently, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by the Company's management to allocate resources to the different segments and to analyse the respective performances.
An operating segment is defined by IFRS 8 as a component of an entity: (i) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity); (ii) for which the operating results are regularly reviewed by the entity's most senior decision-makers for the purpose of making decisions about resources to be allocated to the segment and assessing its performance; and (iii) for which separate financial information is available.
Specifically, the declared operating segments are as follows: (i) natural gas transportation (the "transportation segment"); (ii) liquefied natural gas regasification (the "regasification segment"); (iii) natural gas storage (the "storage segment") relate to activities carried out predominantly by Snam Rete Gas, GNL Italia and Stogit, respectively.

5) FINANCIAL STATEMENTS[9]

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1").
Specifically:

- the balance sheet items are broken down into assets and liabilities, and then further into current or non-current items[10];
- the income statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- the statement of comprehensive income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- the statement of changes in shareholders' equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in shareholders' equity;
- the cash flow statement is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its balance sheet, income statement and financial position.
Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.
With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in Note 34 – "Related-party transactions", are shown separately in the financial statements.
In compliance with IAS 1, unless otherwise stated, comparative data refer to the previous year.

9 The financial statements are the same as those adopted for the 2018 Annual report.
10 Assets and liabilities are classified as current if: (i) their realization/settlement is part of the normal operating cycle of the company or in the twelve months after the financial year-end; (ii) consist of the cash or cash equivalents without restrictions that would limit usage thereof in the 12 months following the closure of the year; or (iii) are held mainly for trading. Derivative instruments held for trading are classified as current items, regardless of their maturity date. Derivative instruments used for hedging are classified as current items if their realization is expected within the 12 months subsequent to the closure of the year; otherwise they are classified as non-current items.

6) USE OF ESTIMATES

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.
Details are given below about the critical accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on subsequent results.

Impairment of non-financial fixed assets

Non-financial assets are impaired when events or changes in circumstances give cause to believe that the book value is not recoverable. The events which may give rise to an impairment of assets include changes in business plans, changes in market prices or reduced use of plants.
The decision on whether to apply an impairment and the quantification of any such impairment depend on the Company's management assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on production costs, production profiles and conditions of supply and demand.
The impairment is determined by comparing the book value with the related recoverable value, represented by the greater of the fair value, net of disposal costs, and the usage value, determined by discounting the expected cash flows deriving from the use of the asset. The expected cash flows are quantified in the light of the information available at the time of the estimate, on the basis of subjective judgements regarding future trends in variables – such as prices, costs, the rate of growth of demand and production profiles – and are discounted using a rate that takes account of the risk inherent to the asset concerned.
The basis of the impairment testing used by management in relation to the property plant and machinery, intangible assets and investments measured using the equity method are illustrated respectively in the sections "Impairment of non-financial fixed assets" and "Investments valued using the equity method".

Provision for site dismantling and restoration

The Snam Group incurs significant liabilities associated with obligations to remove and dismantle plants or parts of plants. Estimating future dismantling and restoration costs is a complex process and requires the assessment and judgement of the Company's management in placing a value on the liabilities which will be incurred many years in the future for compliance with dismantling and restoration obligations, which often cannot be fully defined by laws, administrative regulations or contractual clauses. In addition, these obligations are affected by constant changes in technology and in dismantling and restoration costs, as well as the constant growth of political and public awareness regarding matters of health and protection of the environment.
The criticality of estimates of dismantlement and restoration costs also depends on the accounting method used for these costs, for which the current value is initially capitalised together with the cost of the asset to which they relate, offset against the provision for risks and charges. Subsequently, the value of the provision for risks and charges is updated to reflect the passing of time and any changes in the estimate as a result of changes in expected cash flows, the timing of their realisation and the discount rates applied. The calculation of the discount rate to be used both in the initial valuation of the cost and in subsequent valuations is the result of a complex process which involves subjective judgements on the part of the Company's management.

Investments and Business Combinations

Verification of the existence of control, joint control, considerable influence over another entity as well as, in the case of joint operations, verification of the existence of enforceable rights and obligations requires Corporate Management to exercise professional judgement taking into consideration the characteristics of the corporate structure and agreements between the parties as well as other facts and circumstances that are relevant for the purpose of this check. Similar considerations also apply in cases of a planned change in status following a loss of control, joint control or connection with the possible need to activate the classification as "assets held for sale/discontinued operation".
The reporting of business combination transactions involves the allocation to the assets and liabilities of the acquired company of the difference between the acquisition cost and the net book value. For the majority of assets and liabilities, the attribution of the difference is carried out by recognising the assets and liabilities at their fair value. The unallocated portion, if positive, is recognised as goodwill; if negative, it is allocated to the income statement. In the allocation process, the Snam Group draws on the available information and, for the most significant business combinations, on external valuations.

Environmental liabilities

The Snam Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. With reference to this legislation, when it is probable that the existence and amount of a large liability can be reliably estimated, provisions are made for the associated costs.
The Group does not currently believe that there will be any particularly significant negative effects on its financial statements due to non-compliance with environmental legislation, including taking account of the interventions already made, however it cannot be ruled out that Snam might incur substantial additional costs or responsibilities, since with the current state of knowledge it is impossible to foresee the effects of future developments, in view of factors such as: (i) the potential for contaminations emerging; (ii) the refurbishment in progress and to be followed and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes and the difficulty of determining the possible consequences, including in relation to the liability of other parties and to possible compensation payments.

Employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.
The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities (assets) in employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income.
Actuarial assumptions are also used to determine obligations relating to other long-term benefits; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

Provisions for risks and charges

In addition to recognising environmental liabilities and obligations to remove property, plant and equipment and restore sites, and liabilities relating to employee benefits, Snam makes provisions relating mainly to legal and tax disputes. The estimation of the provisions for these purposes is the result of a complex process involving subjective judgements on the part of the Company's management.

Fair Value

Calculating the fair value of financial and non-financial instruments is a structured process featuring the use of complex evaluation methodologies and techniques that involve collecting up to date information from the reference markets and/or using internal input data.
Similar to other estimates, calculating the fair value, albeit based on the best information available and on the adoption on adequate evaluation methodologies and techniques, it intrinsically features random elements and the exercising of professional judgement and could create forecasts with different values from those that will effectively be realised.

Classification and measurement of investments made for development and maintenance of proprietary infrastructures

The Snam Group makes significant investments for development and maintenance of its own infrastructures. Assessing the recoverability of the investments currently underway and the distinction of the costs as improvements, upgrades and transformations that increase the infrastructure and the expenses for ordinary maintenance and repairs which restore but do not increase the performance of the assets, includes valuation elements. These assessments are formulated on the basis of objective criteria that the Group has developed to facilitate an application consistent with its accounting policies.

7) RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting standards and interpretations issued by the IASB/IFRIC and approved by the European Commission, but not yet in force

The main accounting standards and interpretations approved by the European Commission in 2019 but not yet in force are listed and described below.

Other principles and interpretations approved by the European Commission, but not yet in force

Regulation 2019/2104, issued by the European Commission on 29 November 2019 endorsed the regulatory provisions contained in the document "Amendments of IAS 1 and IAS 8: definition of material". The arrangements are effective from the financial years starting on or after 1 January 2020.
The document reformulated and clarified the definition "material" with reference to the following concepts: (i) "obscuring"; obscuring important information with others that could be omitted can have a similar effect to omission or misrepresentation; (ii) "could reasonably be expected to influence"; the mass of information to be provided should not suffer from the remote risk of influencing users of the financial statements; (iii) "primary users"; it is them and not all the possible users of the financial statements to be considered when determining the information to be presented.
Regulation 2019/2075, issued by the European Commission on 29 November 2019 endorsed the regulatory provisions contained in the document "Amendments to References to the Conceptual Framework in IFRS Standards". The arrangements are effective from the financial years starting on or after 1 January 2020 and early application is permitted. The document includes the updating of the references in international accounting standards in order to include the new features introduced by the revised version of "Conceptual Framework for Financial Reporting", issued by the IASB on 29 March 2018. Among the main aspects resulting from the introduction of the new versions of the Conceptual Framework we find the updating of the definitions of "assets" and "liabilities" as well as the process for their evaluation, elimination and presentation. The document also clarifies important concepts such as the identification of the financial statement recipients and the targets that the financial statements intend to reach, and it also deals with the issues of prudence and uncertainty in the evaluations for financial statement information.
Regulation 2020/34 issued by the European Commission on 15 January 2020 approved the regulatory provisions in the document "Reform of the reference indices for determining interest rates. Amendments to IFRS 9, IAS 39 and IFRS 7". The objective of the IASB is provide financial information from the gradual elimination of parameters on interest rates such as Interbank Offered Rates (IBORs); in particular, some specific accounting requirements for hedging to mitigate potential effects resulting from the uncertainty caused by the IBOR reform are being changed. In addition, the amendments require companies to provide additional information to investors with regard to their hedge ratios which are directly affected by these uncertainties. The amendments apply from 1 January 2020. Early application is permitted.
No impacts were identified as a result of the implementation of the above-mentioned arrangements.

Accounting standards and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission

The following are newly issued accounting standards and interpretations for which the approval process by the European Commission has not yet been completed.
On 18 May 2017, the IASB issued the document IFRS 17 "Insurance Contracts", which is applicable to all insurance companies. They define the principles for recognition, measurement, presentation and disclosure, replacing IFRS 4. The measures contained in IFRS 17 will take effect from financial years starting on or after 1 January 2021, subject to deferrals established upon approval by the European Commission. The new standard requires a "Building Block Approach" (BBA) based on expected cash flow and the specification of a "risk adjustment" and of a Contractual Service Margin (CSM) which represents expected profit from insurance contract. This margin is reported in the income statement in the period in which the insurance cover is provided. Moreover, there are two alternative approaches in addition to the BBA which are the "Variable Fee Approach" (VFA) and the Premium Allocation Approach (PAA), applicable in specific cases. The new standard also provides a new procedure for recognition in profit and loss that presents separately the (i) insurance revenues, (ii) insurance service expenses and (iii) insurance finance income or expenses.
On 22 October 2018, the IASB issued the document "Amendments to IFRS 3 Business Combinations", the provisions of which are effective from the financial years starting on or after 1 January 2020, notwithstanding subsequent deferrals established upon approval by the European Commission. The amendments introduced by the documents are aimed to facilitate the classification of a transaction such as the acquisition of a business or group of assets.
On 23 January 2020, the IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current", the provisions of which will take effect from financial years starting on or after 1 January 2022, subject to deferrals

established upon approval by the European Commission. The IASB clarifies the criteria that should be used to determine whether the liabilities should be classified as current or non-current. The amendments aim to promote consistency in the application of the requirements helping companies to determine whether payables and other liabilities with an uncertain settlement date should be classified as current (due or potentially to be settled within a year) or non-current. In addition, they include clarifications regarding the classification requirements of payables that an entity could extinguish through conversion to equity. The early application of these amendments is permitted.
Snam is analysing the standards and interpretations in question, where applicable, to assess whether their adoption will have a significant impact on the financial statements.

8) CASH AND CASH EQUIVALENTS

Cash and cash equivalents of €2,851 million (€1,872 million at 31 December 2018) refer mainly to bank current and deposit accounts that can be collected quickly (€2,054 million) and short-term liquidity use transactions, due in less than 90 days, with banking institutions with high credit ratings (€750 million) and to cash and cash equivalents at Snam International BV (€20 million) and Gasrule Insurance DAC (€19 million).
Borrowing interest rates on short-term liquidity use transactions and on bank deposit accounts that can be collected quickly are slightly more than 0%.
The book value of cash and cash equivalents approximates to their fair value. They are not subject to any usage restrictions.
A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the cash flow statement.

9) TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT RECEIVABLES

Trade receivables and other current receivables equal to €1,376 million (€1,347 million at 31 December 2018) and other non-current receivables equal to €3 million (€1 million at 31 December 2018) break down as follows:

	31.12.2018			31.12.2019		
(millions of €)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	1,247		**1,247**	**1,217**		**1,217**
Financial receivables	10	1	**11**		**3**	**3**
- short-term						
- long-term	10	1	**11**		**3**	**3**
Receivables from investment/divestment activities	9		**9**	**8**		**8**
Other receivables	81		**81**	**151**		**151**
	1,347	**1**	**1,348**	**1,376**	**3**	**1,379**