Consolidated Financial Statements 2019

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Financial statements

STATEMENT OF FINANCIAL POSITION (*)

		31.12.2018		31.12.2019	
(millions of €)	**Note**	**Total**	***of which with related parties***	**Total**	***of which with related parties***
ASSETS					
Current assets					
Cash and cash equivalents	(8)	1,872		**2,851**	
Trade receivables and other receivables	(9)	1,347	*420*	**1,376**	***291***
Inventories	(10)	109		**112**	
Current income tax assets	(11)	10		**12**	
Other current tax assets	(11)	7		**14**	
Other current assets	(12)	27		**19**	
		3,372		**4,384**	
Non-current assets					
Property, plant and equipment	(13)	16,153		**16,439**	
Compulsory inventories	(10)	363		**363**	
Intangible assets	(14)	907		**990**	
Investments valued using the equity method	(15)	1,710		**1,787**	
Other investments	(16)	40		**41**	
Other receivables	(9)	1		**3**	
Other non-current assets	(12)	36	*1*	**26**	***1***
		19,210		**19,649**	
Non-current assets held for sale	(17)			**10**	
TOTAL ASSETS		**22,582**		**24,043**	

		31.12.2018		31.12.2019	
(millions of €)	**Note**	**Total**	***of which with related parties***	**Total**	***of which with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term financial liabilities	(18)	1,976		**2,456**	
Short-term portion of long-term financial liabilities	(18)	1,657		**1,675**	
Trade payables and other payables	(19)	1,768	*274*	**1,801**	***189***
Current income tax liabilities	(11)	14		**26**	
Other current tax liabilities	(11)	9		**9**	
Other current liabilities	(20)	86	*27*	**97**	***22***
		5,510		**6,064**	
Non-current liabilities					
Long-term financial liabilitie	(18)	9,787		**10,643**	
Provisions for risks and charges	(21)	665		**713**	
Provisions for employee benefits	(22)	64		**46**	
Deferred tax liabilities	(23)	134		**106**	
Other non-current liabilities	(20)	437		**213**	
		11,087		**11,721**	
TOTAL LIABILITIES		**16,597**		**17,785**	
SHAREHOLDERS' EQUITY	(24)				
Share capital		2,736		**2,736**	
Reserves		3,212		**3,131**	
Net profit		960		**1,090**	
Negative reserve for treasury shares in the portfolio		(625)		**(389)**	
Interim dividend		(298)		**(313)**	
Shareholders' equity held by Snam's shareholders		**5,985**		**6,255**	
Minority interests				**3**	
TOTAL SHAREHOLDERS' EQUITY		**5,985**		**6,258**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22,582**		**24,043**	

(*) During the first time application of IFRS 16, the Snam Group chose to apply the standard retroactively, booking the cumulative effect of the application as at 1 January 2019, without recalculating the comparative information. The effects of this application were an increase in financial liabilities and a rise in assets for Property, plant and equipment in the amount of €20 million. The impact on the Group's shareholders' equity, net of the related tax effect, is consequently zero. For more information, please refer to Note 2 of the Accounting principles and interpretations applicable from 2019.

INCOME STATEMENT

		2018		2019	
(millions of €)	**Note**	**Total**	***of which with related parties***	**Total**	***of which with related parties***
Revenue	(27)				
Core business revenue		2,555	*1,600*	**2,635**	***1,576***
Other revenue and income		31	*1*	**30**	***1***
		2,586		**2,665**	
Operating costs	(28)				
Purchases, services and other costs		(311)	*(77)*	**(281)**	***(61)***
Personnel cost		(201)		**(180)**	***2***
		(512)		**(461)**	
Amortisation, depreciation and impairment losses	(29)	**(690)**		**(752)**	
EBIT		**1,384**		**1,452**	
Financial income (expenses)	(30)				
Financial expense		(252)		**(213)**	
Financial income		12	*8*	**11**	
Derivative financial instruments		(2)		**(1)**	
		(242)		**(203)**	
Income (expense) on equity investments	(31)				
Equity method valuation effect		157		**218**	
Other income (expense) from equity investments		2		**(2)**	
		159		**216**	
Pre-tax profit		**1,301**		**1,465**	
Income tax	(32)	(341)		**(375)**	
Net profit		**960**		**1,090**	
- Attributable to Snam shareholders		960		**1,090**	
- Minority interests					
Earnings per share attributable to Snam shareholders (€ per share)	(33)				
- basic		0.286		**0.330**	
- diluted		0.280		**0.323**	

STATEMENT OF COMPREHENSIVE INCOME

(millions of €)	2018	2019
Net profit (*)	**960**	**1,090**
Other components of comprehensive income		
Components that can be reclassified to the income statement:		
Change in fair value of cash flow hedge derivatives	(26)	**(44)**
Portion of equity investments valued using the equity method pertaining to “other components of comprehensive income”	(1)	**(17)**
Tax effect	6	**10**
	(21)	**(51)**
Components that cannot be reclassified to the income statement		
Actuarial gains (losses) on remeasurement of defined-benefit plans for employees		
Share of the “other components of the total profit” of the shares evaluated according to the shareholders’ equity method of the remeasurements of defined-benefit plans for employees		**(1)**
Change in fair value of minority investments measured at fair value through other comprehensive income - FVTOCI	1	**4**
	1	**3**
Total other components of comprehensive income, net of tax effect	**(20)**	**(48)**
Total comprehensive income (*)	**940**	**1,042**

(*) Entirely attributable to Snam shareholders.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Equity pertaining to Snam shareholders														
(millions of €)		Share capital	Negative reserve for treasury shares in the portfolio	Share premium reserve	Legal reserve	Reserve for fair value of cash flow hedging derivatives net of tax effect	Reserve for defined-benefit plans for employees net of tax effect	Fair value reserve of minority interests (FVTOCI)	Consolidation reserve	Other reserves	Retained earnings	Net profit for the year	Interim dividend	Total	Minority interests	Total shareholders' equity
Balance at 31 December 2017	(Note 24)	**2,736**	**(318)**	**1,140**	**547**	**(8)**	**(8)**		**(674)**	**58**	**2,112**	**897**	**(294)**	**6,188**		**6,188**
Effects of first-time application of IFRS 9											8			8		8
Balance at 1 January 2018 (A)		**2,736**	**(318)**	**1,140**	**547**	**(8)**	**(8)**		**(674)**	**58**	**2,120**	**897**	**(294)**	**6,196**		**6,196**
Net profit for 2018												**960**		**960**		**960**
Other components of comprehensive income																
Components that can be reclassified to the income statement:																
Portion of equity-accounted investments pertaining to "other components of comprehensive income"										(1)				(1)		(1)
Change in fair value of cash flow hedge derivatives						(20)								(20)		(20)
						(20)				(1)				(21)		(21)
Components that cannot be reclassified to the income statement																
Change in fair value of equity investments valued at fair value with an effect on OCI								1						1		1
								1						**1**		**1**
Total comprehensive income for 2018 (B)						**(20)**		**1**		**(1)**		**960**		**940**		**940**
Transactions with shareholders:																
Interim dividend for 2017 €0.0862 per share)												(294)	294			

(millions of €)		Share capital	Negative reserve for treasury shares in the portfolio	Share premium reserve	Legal reserve	Reserve for fair value of cash flow hedging derivatives net of tax effect	Reserve for defined-benefit plans for employees net of tax effect	Fair value reserve of minority interests (FVTOCI)	Consolidation reserve	Other reserves	Retained earnings	Net profit for the year	Interim dividend	Total	Minority interests	Total shareholders' equity
		Equity pertaining to Snam shareholders														
Final 2017 dividend (*)												(437)		(437)		(437)
Allocation of 2017 residual net profit											166	(166)				
Interim dividend for 2018 (€0.0905 per share)													(298)	(298)		(298)
2017-2019 Share-based incentive plan										3				3		3
Acquisition of treasury shares			(426)											(426)		(426)
Total transactions with shareholders (C)			**(426)**							**3**	**166**	**(897)**	**(4)**	**(1,158)**		**(1,158)**
Other changes in shareholders' equity:																
Cancellation of treasury shares			119	(119)						7				7		7
Total other changes in shareholders' equity (D)			**119**	**(119)**						**7**				**7**		**7**
Balance at 31 December 2018 (E = A + B + C + D)	(Note 24)	**2,736**	**(625)**	**1,021**	**547**	**(28)**	**(8)**	**1**	**(674)**	**67**	**2,286**	**960**	**(298)**	**5,985**		**5,985**

(*) The dividend between the interim dividend and the final dividend is €0.2155 per share.

(millions of €)		Equity pertaining to Snam shareholders														
		Share capital	Negative reserve for treasury shares in the portfolio	Share premium reserve	Legal reserve	Reserve for fair value of cash flow hedging derivatives net of tax effect	Reserve for defined-benefit plans for employees net of tax effect	Fair value reserve of minority interests (FVTOCI)	Consolidation reserve	Other reserves	Retained earnings	Net profit for the year	Interim dividend	Total	Minority interests	Total shareholders' equity
Balance at 31 December 2018 (A)	(Note 24)	**2,736**	**(625)**	**1,021**	**547**	**(28)**	**(8)**	**1**	**(674)**	**67**	**2,286**	**960**	**(298)**	**5,985**		**5,985**
Net profit for 2019												**1,090**		**1,090**		**1,090**
Other components of comprehensive income																
Components that can be reclassified to the income statement:																
Portion of equity-accounted investments pertaining to "other components of comprehensive income"										(17)				(17)		(17)
Change in fair value of cash flow hedge derivatives						(34)								(34)		(34)
						(34)				(17)				(51)		(51)
Components that cannot be reclassified to the income statement																
Change in fair value of equity investments valued at fair value with an effect on OCI								4						4		4
Share of the "other components of the total profit" of the shares evaluated according to the shareholders' equity method of the remeasurements of defined-benefit plans for employees										(1)				(1)		(1)
								4		**(1)**				**3**		**3**
Total comprehensive income for 2019 (B)						**(34)**		**4**		**(18)**		**1,090**		**1,042**		**1,042**

(millions of €)	Equity pertaining to Snam shareholders													
	Share capital	Negative reserve for treasury shares in the portfolio	Share premium reserve	Legal reserve	Reserve for fair value of cash flow hedging derivatives net of tax effect	Reserve for defined-benefit plans for employees net of tax effect	Fair value reserve of minority interests (FVTOCI)	Consolidation reserve	Other reserves	Retained earnings	Net profit for the year	Interim dividend	Total	Minority interests	Total shareholders' equity
Transactions with shareholders:															
Interim dividend for 2018 (€0.0905 per share)											(298)	298			
Final dividend for 2018 (€0.1358 per share) (*)											(448)		(448)		(448)
Allocation of 2018 residual net profit										214	(214)				
Interim dividend for 2019 (€0.095 per share)												(313)	(313)		(313)
2017-2019 Share-based incentive plan									7				7		7
Acquisition of treasury shares		(39)											(39)		(39)
Total transactions with shareholders (C)		**(39)**							**7**	**214**	**(960)**	**(15)**	**(793)**		**(793)**
Other changes in shareholders' equity:															
Cancellation of treasury shares		275	(275)												
Capital contributions from third-party shareholders														3	**3**
Other changes									**8**	13			**21**		**21**
Total other changes in shareholders' equity (D)		**275**	**(275)**						**8**	**13**			**21**	**3**	**24**
Balance at 31 December 2019 (E = A + B + C + D) (Note 24)	**2,736**	**(389)**	**746**	**547**	**(62)**	**(8)**	**5**	**(674)**	**64**	**2,513**	**1,090**	**(313)**	**6,255**	**3**	**6,258**

(*) The dividend between the interim dividend and the final dividend is €0.2263 per share

CASH FLOW STATEMENT

(millions of €)	Notes	2018	2019
Net profit		**960**	**1,090**
Adjustments for reconciling net profit with cash flows from operating activities:			
Total amortisation and depreciation	(29)	682	**722**
Impairment losses on tangible and intangible fixed assets	(29)	8	**30**
Effect of valuation using the equity method	(15)	(157)	**(218)**
Other expense from equity investments	(16)		**4**
Net capital losses (capital gains) on asset sales, cancellations and eliminations		12	**8**
Dividends		(2)	**(2)**
Interest income		(12)	**(11)**
Interest payable		230	**190**
Income tax	(32)	341	**375**
Other changes		3	**7**
Changes in working capital:			
- Inventories		(33)	**(43)**
- Trade receivables		41	**38**
- Trade payables		76	**(28)**
- Provisions for risks and charges		9	**6**
- Other assets and liabilities		92	**(237)**
Working capital cash flow		*185*	***(264)***
Change in provisions for employee benefits		7	**(18)**
Dividends collected		151	**134**
Interest collected		4	**11**
Interest paid		(230)	**(185)**
Income taxes paid net of reimbursed tax credits (*)		(356)	**(387)**
Net cash flow from operating activities		**1,826**	**1,486**
- of which with related parties	(35)	*1,681*	***1,555***
Investments:			
- Property, plant and equipment (**)	(13)	(772)	**(852)**
- Intangible assets	(14)	(77)	**(102)**
- Change in scope of consolidation and business units		(38)	**(41)**
- Equity investments		(165)	**(24)**
- Long-term financial receivables		(148)	**(5)**
- Change in payables and receivables relating to investments		*(7)*	***(16)***
Cash flow from investments		*(1,207)*	***(1,040)***
Divestments:			
- Property, plant and equipment		2	
- Long-term financial receivables		519	
- Equity investments		21	**36**
Cash flow from divestments		*542*	***36***

(millions of €)	Notes	2018	2019
Net cash flow from investment activities		**(665)**	**(1,004)**
- *of which with related parties*	(34)	*(188)*	***(33)***
Assumption of long-term financial debt		1,810	**2,877**
Repayment of long-term financial debt		(1,608)	**(2,070)**
Increase (decrease) in short-term financial debt		597	**478**
Change in current financial assets		350	
Payment of lease liabilities			**(6)**
		1,149	**1,279**
Acquisition of treasury shares		(426)	**(39)**
Dividends paid to Snam shareholders		(731)	**(746)**
Net capital contributions from third-party shareholders			**3**
Net cash flow from financing activities		**(8)**	**497**
- *of which with related parties*	(35)	*(14)*	
Net cash flow for the period		**1,153**	**979**
Cash and cash equivalents at the beginning of the period	(8)	**719**	**1,872**
Cash and cash equivalents at the end of the period	(8)	**1,872**	**2,851**

(*) More than 99% of taxes paid in Italy.
(**) For Cash flow statement purposes only, the flow includes: (i) the change in inventories of piping and other ancillary materials used in constructing the plants, with reference to the natural gas transportation sector (€11 million and -€5 million, respectively for 2018 and 2019); (ii) the contributions on third-party interference works, so-called compensation (€22 million and €14 million, respectively for 2018 and 2019).