



**SRG.MI - Q1 2015 Snam spa  
Earnings Call  
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## Corporate Participants

- [Carlo Malacarne](#)  
Snam SpA - CEO
- [Antonio Paccioletti](#)  
Snam SpA - CFO

## Conference Call Participants

- [Harry Wyburd](#)  
Merrill Lynch - Analyst
- [Cosma Panzacchi](#)  
Bernstein - Analyst
- [Enrico Bartoli](#)  
MainFirst - Analyst
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Equita - Analyst
- [Javier Suarez](#)  
Mediobanca - Analyst
- [Olivier Van Doosselaere](#)  
Exane BNP Paribas - Analyst
- [Pablo Cuadrado](#)  
HSBC - Analyst



## **Presentation**

### **Operator [1]**

Good day and welcome to the Snam 2015 First Quarter Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Carlo Malacarne, CEO. Please go ahead, sir.

### **Carlo Malacarne, Snam SpA - CEO [2]**

Good afternoon, ladies and gentlemen, and welcome to Snam's 2015 first quarter results presentation. Let me start with a short comment outlining the main financial highlights. This quarter, we have maintained our strong track record of delivering with an increase of more than 11% in net profit, demonstrating the robustness of our business model.

Furthermore, our strong operating cash flow generation fully financed overall CapEx spending during the quarter and ensured that our level of net debt remain under control at EUR13.2 billion at the end of March. We remain committed to maintaining a solid and efficient capital structure, which is further underpinned by the ongoing optimization initiatives we are carrying out.

In terms of development, in the distribution business, we have recently completed the 100% acquisition of ACAM Gas that would be consolidated in our accounts starting from April 2015.

With that, I'll now hand you over to Antonio, who will discuss our first quarter consolidated result in more detail.

### **Antonio Paccioretti, Snam SpA - CFO [3]**

Thank you, Carlo; good afternoon, everyone. I'm now going to run you through Snam's 2015 first quarter financial results. The first quarter shows a sound net profit, which grew by 11% to EUR325 million. The slight decrease in operating results, which I will comment in more detail on the following slides, was mainly due to the storage activity where starting from April 2014, the timing profile in tariffs has changed, switching from a seasonal to a more constant



outline and affecting in particular the comparison between first quarter 2014 and the first quarter 2015.

The growth in net profit was supported by the reduction in net interest income due to an average cost of debt just below 3% and the higher contribution of income tax for associates, driven by the consolidation of TAG and the positive effect on the Robin Hood Tax consolidation.

First quarter 2015 total revenues amounted to EUR929 million, with an increase of EUR22 million compared to the first quarter 2014. Regulated revenues net of pass-through items increased by EUR10 million, up 1.2%, reflecting the [following] performances by business segment. Transport revenues registered an increase of EUR5 million compared to the same period of 2014. The positive contribution from the investment carried out in 2013 equaled to EUR90 million, was partially balanced by the tariff adjustments of around EUR14 million.

Distribution revenues grew by EUR24 million, thanks to the [positive] tariff adjustment and the contribution of AES Torino of EUR17 million consolidated from July 2014. Storage revenues decreased by EUR19 million, mainly due to the effects of the already commented different timing profile in tariff mechanism. At the year-end, we expect storage regulated revenues almost in line with the previous year. The increase in pass-through revenues is mainly due to the overall gas transport system balancing services. Other revenues amounted to EUR31 million, an increase of EUR6 million compared to the first quarter 2014, mainly due to the disposal of gas inventories not used for the operating activities in the transport business, partially offset by the non-recurring revenues of EUR13 million accounted in 2014 and related to the contractual agreements between Eni and Stogit as part of activities connected to the Legislative Decree 130/2010, the effect of which expire in the first quarter 2015.

Moving to operating expenses, total cost amounted to EUR212 million in the first quarter 2015. Net of pass-through items, operating costs were EUR172 million with an increase of EUR31 million. This was primarily due to the growth of EUR20 million in non-regulated activities due to disposal of gas inventories previously commented. In addition, controllable fixed cost recorded an increase of EUR14 million, mainly due to the consolidation of AES Torino with an impact of around EUR4 million and a decrease in the amount of internal costs allocated to investment activities in the distribution segment. We are putting in place all the measures to minimize this effect in order to confirm our targets in term of controllable fixed cost at the year-end.

Other costs, equal to EUR14 million, decreased by EUR3 million, all due to lower risks on provisions. As a consequence of the above, consolidated EBIT amounted to EUR510 million with a decrease of EUR32 million, as a result of the increase in regulated revenues of EUR10 million, the increase in controllable fixed cost of EUR14 million, the increase in



depreciation and amortization of EUR17 million. This rise is higher than the organic depreciation growth because of the changes in the business parameter for the inclusion of AES Torino and the new shorter technical lifetime of some metering assets in the distribution segment.

Finally, other negative effects of EUR11 million mainly reflected to the changes in non-regulated storage revenues which I previously commented on.

Now, I would like to conclude the review of income statement by commenting on the net profit performance. First quarter 2015 net profit was EUR325 million, up 11.3% compared to the same period of 2014. Analyzing the item below EBIT, net profit growth has been supported by, firstly, the reduction in interest expenses of EUR6 million, essentially due to a lower average cost of debt; secondly, by an increase in net income from associates of EUR19 million, mainly due to Targa which started contributing at the beginning of 2015, further supported by other associates in our portfolio, TIGF in particular, and partially mitigated by the effects of AES Torino consolidation.

Finally, the reduction in income taxes of around EUR40 million due to lower taxable income, following the Robin Hood Tax consolidation.

Now, let me give you the update on the progresses achieved on the debt structure side. With regard to debt capital market in general, Snam tapped again the market by issuing a EUR250 million bond with a maturity of eight years and a fixed rate coupon of 1.5%. Therefore, supporting our goal to have an average maturity of our outstanding medium to long-term debt, consistent with our business and the regulatory profile.

Looking at the European Investment Bank financing, I would like to highlight the optimization of our portfolio following the cancellation of EUR300 million of relatively expensive financings and a new loan of EUR200 million related to a Snam Rete Gas infrastructure project.

Examining the treasury management optimization, let me underline the important role played by the uncommitted credit lines also in the first quarter 2015 which enabled Snam to benefit from the abundant amount of liquidity and favorable interest rate scenario. These measures, together with the full effect of the optimization exercise carried out in 2014, made it possible to achieve an average cost of debt of around 2.9% in the first quarter 2015, in line with the full-year 2015 guidance announced during our latest strategy presentation.

Turning to the free cash flow, Snam generated a positive cash flow from operations of EUR653 million in the first quarter of 2015, fully financing net investment of EUR200 million and resulting in a positive free cash flow of EUR453 million. The working capital cash generation of EUR178 million was mainly related to an increase in tax payables of around EUR144 million, due to income taxes accrued in the quarter.



Moving to net investment, cash absorption from net CapEx in our Italian-regulated businesses amounted to EUR284 million in the period, partially offset by EUR84 million [cash in] coming from the reduction of Snam's stake in TIGF.

Finally, turning to the balance sheet, net invested capital amounted to EUR20.8 billion, substantially in line with 2014, with an increase in fixed assets compensated by the change in the working capital. Net financial debt at the end of the first quarter amounted to EUR13.2 billion, a decrease of EUR0.4 billion compared to the year-end 2014, due to the positive free cash flow generation already commented on.

Thank you very much for the attention. We are now pleased to answer any question you may have.



## Questions and Answers

### Operator [1]

Thank you. (Operator Instructions) We will now take our first question from Harry Wyburd from Merrill Lynch. Please go ahead.

### Harry Wyburd - Merrill Lynch – Analyst [2]

Hi, there. Thanks for taking my questions. So the first one is on your associate income, I noticed that you had like particularly high amount of associate income in the first quarter. I think it was EUR41 million and you previously guided to a full-year income of around EUR100 million if I'm not wrong. Please could you comment on why that number looks particularly high? Is there an accounting or revaluation impact in there?

And then, secondly, on gas distribution, I wondered if you could update us on the potential scope for expanding your market share. I know you've said before that you could grow that by about 10% from just over 40% and spending about EUR1 billion in the process. Do you continue to believe that's the addressable scope? Could it indeed be a bit higher and also is there a scope to growing gas distribution through acquisitions as well as through going for [deep concessions]? Thanks.

### Antonio Paccioretti - Snam SpA - CFO [3]

Starting from the first one, the easier one. The net income from associates in the first quarter amounted -- as I previously said, amounted to EUR41 million and recording an increase of EUR19 million. The increase is mainly due, first of all, to the contribution of TAG. We have accounted a result of something more than EUR20 million. And secondly, the higher contribution of TIGF, the higher contribution of TIGF with respect to the previous period was in the range of EUR4 million, a total contribution in the first quarter of EUR9 million. Both these increases are partially offset by the consolidation of AES Torino from July 2014 which means around EUR10 million.



More in detail, the remarkable contribution of TAG is mainly driven by the high seasonality of certain cost, maintenance in particular. Also for TIGF, we believe that the first quarter are positively affected by a portion of revenues. Debt cannot be considered valid, let me say for the full year and therefore we prefer to maintain a prudent approach and not to consider the level of the first quarter results as a significant reference for the full year. Over the full year, the contribution for our associates can be still estimated slight above EUR100 million.

**Carlo Malacarne - Snam SpA - CEO [4]**

For the second question, Italgas is today the market leader in the Italian distribution with one-third of the total market share. And in addition, we have to consider then 75% of its current business is carried out in gas areas, well, it holds a leading or a relevant market share. The reason why today, all the rules for the new options are set and we are ready to participate proactively to the consolidation process, that will start by the end of the year. We estimate the first [option] starting from end of 2015 and I confirm our aims to increase our current market share. We consider a target market share of 45%, an appropriate quarter for triggering further economies of scale and maximizing our returns. The new investment opportunity, to be posted, are estimated to be approximately of EUR1 billion, EUR1.2 billion, which would be spread over the [ocean] time frame, so we can consider three, four years. Let me remind you that these additional investments are not to be included in the present four-years CapEx plan.

**Harry Wyburd - Merrill Lynch - Analyst - [5]**

Okay. Thank you.

**Operator [6]**

Thank you. We will now take our next question from Cosma Panzacchi. You may now go ahead, your line is open.



### **Cosma Panzacchi - Bernstein - Analyst [7]**

Thank you. Cosma Panzacchi from Bernstein. Just three questions on the overall picture. First of all, regarding the effect of the Robin Hood Tax on your accounts, after the decision of the Supreme Court on Italian pensions, which has created an additional need for the government budget of several billion euros, is there a risk that one of the measures that Mr. Padoan will announce in the coming days will be a partial reintroduction of the Robin Hood Tax or the increase of other taxes on the energy sector? What's your view on this aspect?

Secondly, talking in front of the Senate on May 6, you have stressed the need for a transparent and stable regulatory framework and advocated the stability of the remuneration level and the stabilization of the effects of the extraordinary measures such as the QE carried out by the ECB. What has been the reaction of the senators after your speech, and do you expect any reflections in anyway on your current discussion with the regulator on the rate of return?

And finally, regarding instead the overall strategic vision on the North-South Corridor, yesterday, if I'm not wrong, the works on the TAP project in Puglia has been partially blocked by the local municipality due to environmental considerations. The Porto Empedocle LNG terminal is now on sale from Enel and North African gas volumes seem to remain [fugal] also from your numbers. In this context, do you think that the position of Italy as a gas tub along the North-South Corridor is still credible; and if not, would you be open to reconsider some parts of your strategy? Thank you very much.

### **Carlo Malacarne - Snam SpA - CEO [8]**

Thank you. Starting from the Robin Hood Tax, you remember that the Robin Hood was set considering the strong merging linked to the oil price three, four years ago. So there is no reason today -- there is not a condition to restart with the same type of tax anyway. So I don't think that the decision would be to set a new Robin Hood Tax.

I think, I don't know how the government will restore the problem of the cash, but frankly speaking, today, there is not a condition to increase the taxes, especially in the energy sector. We can consider, for example, some -- consider, I don't know, the reduction of the CO2 or environmental impact with the possibility to increasing [these weighed] taxes, but in this case, there is no impact in our business.



For the second question, frankly speaking, my opinion in terms of the new update of the regulatory framework is that all their regulatory business need a very clear visibility and stability in the return set by the regulator. My comments were not in terms of a risk premium.

But anyway, the comment was that -- I think is positive that the regulators have the possibility to check each two years the economic and financial condition, but the only reason to change the parameters are linked to very strong change in the financial or economic condition. I don't think that we can manage the business with the medium, long-terms, with the visibility, with the strong change in the parameters each two years. The reason why I expect that all this type of consideration will be taken to account by the regulators.

For the third questions, we are -- the corridor, the North-South Corridor, is very strategic to put in place our strategy in developing the hub -- the interconnection from Italy to the Central Europe and we started two years ago, three years ago to analyze the possibility to create the same condition of [reverse low] capacity outside Italy. That is the consequence of the memorandum of understanding we signed with Fluxys and today, the main objective, the main result of the memorandum is that we are investing in Italy for the reverse flow capacity and there is a commitment to invest outside it, in Switzerland and in Germany; to create the same condition of a reverse flow capacity starting from 2018. So that is I think the main objective and the strategic aspect for the investment we are doing in Italy.

It's clear that with Fluxys and with other operators, not only with Fluxys, we are trying to put in place some commercial strategy in terms of the selling capacity, the application of the network code, the European network code, but in terms of an increase, our participation directly in the network in Switzerland and German, today we are discussing, we are analyzing the possibility, but we don't have on the table today some new deal in this respect. I repeat that the main aspect is to have the possibility to finalize for our clients the possibility of reverse flow contract without a risk of bottleneck outside Italy.

In terms of the possibility to create and to set all the investment for developing and strong interconnection from Italy to the Central Europe, today, the government is pushing all the [authorization] to increase the new supply of gas from (inaudible) is the top -- is an example. It's true that there is today some discussion in terms of local authorization, but frankly speaking, the environmental authorization, construction authorization are completely set approve by the government today. So I don't think that it could be some delay in constructing buildings and our expecting the 2020 deadline set by the top consortium. It's true that in the national energy strategy, I think you remember that the possibility of the new LNG of 8 BCM -- is a point is very, very let me say clear in the energy strategy in Italy.



I think that today is the moment to restart with the investment in the LNG plant. In the last two or three years, the long-term contract with LNG were very difficult. The price in the East, in Asia were higher than in Europe. But today, the condition in the medium, long-terms will be perfect and my opinion to be ready with the LNG loading possibility starting from 2020-2021. The reason why I expect that in terms of new rules provided by the regulators for the return of investment in LNG would be re-discussed; and frankly speaking, we are ready if we have all the conditions set by the regulators in terms of a return of investment without commodity risk to analyze some new investment in the LNG plants.

#### **Operator [9]**

Javier Suarez, Mediobanca.

#### **Javier Suarez - Mediobanca - Analyst CFO [10]**

Hi. Good afternoon to everyone and thank you for taking my question. I have three. The first one is a follow-up on the higher equity line contribution. We have seen a contribution for EUR41 million. The question is, if you could break down this number by the different activities that we start, TIGF, the UK Interconnector and the Italian activities.

The second question is on the taxation apart from the higher contribution from the equity line, we have seen also a particularly low taxation. The question is can you guide us for your expectation for the level of taxation for the full year 2015? Then, a question on gas storage, when do you think that the tariff for 2015 for gas storage is going to be approved and since there has been several changes during the first quarter 2015, can you guide us on your expectation for the revenues on maybe EBITDA for the gas storage activity in the year 2015?

And then, the final question is on other revenues. I think that on the Strategical presentation, you said to be in negotiations for some additional remuneration for some new services and that were pending to be approved by the Italian Energy Regulator. Can you update us on these conversations with the regulator and your expectation or your updated expectation on these additional revenues? Many thanks.



## Carlo Malacarne - Snam SpA - CEO [11]

Starting from the first one, the more visibility about the income from associates, in the first quarter 2015, the EUR41 million is composed as follows. First of all, the Italian distribution means a contribution of EUR6 million, which is mainly the Toscana Energia. The international activity has a contribution of EUR35 million, EUR24 million TAG, EUR 9 million TIGF and EUR2 million the Interconnector.

Second question is about tax, the tax rate and the forecasted for the full year. The corporate tax rate in the first quarter is below 30%, 29% actually. The tax rate in the first quarter of 2014 was close to 37%. The difference is mainly due to four elements. The first one is, for sure, the consolidation of the Robin Tax, which means 6.5% to be applied on the transportation and on the distribution.

The second element is the increase of the [large] benefit following the higher operating company's equity. The third element is the lower IRAP. Remember that as from January 2015, labor cost is a deductible from IRAP. And the last element is the growing effect of the participation, which are valued using the equity method. It is important to say I'd say two comments; the first comment is that, in particular, the [large] benefit and the positive effect in terms of lower tax rate coming from the higher result of associates is concentrated in the first quarter and then the first quarter tax rate reduction is particularly significant. I would not consider this -- it is not correct to consider this level as a reference for the full year.

The second comment is that the tax rate of our operating companies, which is Snam Rete Gas, Italgas, Stogit and so on. Today at a level of around 33%, the tax rate is 33% and the cash rate 36%, 37%. So the lower consolidated tax rate is mainly due to the result from the non-consolidated associates, contribution received by the corporate, on which tax has been already paid. So, for the full year, I would maintain a tax rate at the corporate level, so the consolidated one in the range of 32%.

The third question was about the revenues in the storage activities. Two comments on that. First of all, in the first quarter, we have booked the reduction in the regulated revenues, which as I was trying to display before is mainly due to the effect of the new rules, any particular to a different timing profile in the tariff mechanism, which switched from a seasonal to constant outline. I remember that until March 2014, the commodity component revenues were concentrated in the first quarter. Anyway, on for that element, so I'm talking about regulated revenues at the year-end, we expect storage regulated revenues almost in line with the previous year. The second element for the revenues in the storage business



segment is the reduction in the non-regulated revenues which refers essentially to the agreement related to the Legislative Decree 130, following which we have EUR13 million of lower revenues. The agreement ceases to have its effect in the first quarter 2015.

**Antonio Paccioretti - Snam SpA - CFO [12]**

For the next question, the gas storage tariff, we expect the approval of the tariff by end of July. Anyway, today, we provide some comment to the regulator and we are discussing in particular in the four regulatory periods, the extra remuneration of 4% is recognized to all the investment (inaudible) into operation by year-end 2014 and we are discussing with the regulator in order to get by the deadline for the final approval of the tariff proposal, the recognition of the extra [turn] also to work in progress strictly related to the Legislative Decree 130. For the new services, we provide our analysis to the regulators and we expect the discussion in the following months to have the possibility of approval, part of the new services, the regulated new service by the end of the year with the possibility of new revenue starting from 2016. I think it's not easy today to estimate the revenue, but we can consider that our estimate was for the all new services of around EUR40 million and specifically the regulated service is roughly 40%, 50% of the total new services.

**Cosma Panzacchi - Bernstein - Analyst [13]**

Many thanks.

**Operator [14]**

We will now take our next question from Enrico Bartoli from MainFirst. Please go ahead.

**Enrico Bartoli - MainFirst - Analyst [15]**

Hi, good afternoon, everybody. Had a few questions from my side. First of all, one question related to the line on other revenues, if I remember where you had some positive one-offs last year, this year, actually this figure has increased. Could you please elaborate a bit on that and specify if you have any one-offs also in the first quarter 2015? Then, possibly, if you can give us the RAB value of ACAM, that Italgas will be in your total RAB by the end of this year and if you can give us a guidance on the net debt that you expect by the end of 2015 after the reduction in your stake in TIGF and the acquisition of ACAM.



And finally, if you have any visibility on the possible timing for a preliminary document by the authority on the new regulation, on the [WAC] calculation. Thank you.

**Antonio Paccioretti - Snam SpA - CFO [16]**

First point, other revenues. You are right in the first quarter of 2014, we had the EUR13 million revenues, non-recurring revenues coming from the contract with Eni in the storage segment. This quarter, we have another element of revenues to be considered non-recurring, which is the sale -- the disposal of gas inventories not used for the operating activities in the amount of EUR22 million, EUR23 million. The difference is that on the other side of our profit and loss, we have for the use -- for the disposal of this gas cost for around EUR19 million. So the impact of this element on our EBITDA is negligible. We're talking about a positive impact of EUR2 million, EUR3 million.

As far as ACAM RAB is concerned, it is EUR100 million. The guideline in terms of our debt at the end of the year. The guidance remain what we said in the Strategy Presentation, EUR13.8 billion, EUR13.9 billion. I remember that the guidance at the time was given also taking into account the income from the cash-in from the transaction with Credit Agricole which at that time was already considered.

**Carlo Malacarne - Snam SpA - CEO [17]**

There is last question is the new update of the regulatory framework, the WAC.

**Enrico Bartoli - MainFirst - Analyst [18]**

Yes, yes, if you have any visibility on the possible timing on that.

**Antonio Paccioretti - Snam SpA - CFO [19]**

We expect the consultation document in the following weeks and so, by the end of May, beginning of June, so we expect the consultation document.



### **Carlo Malacarne, Snam SpA - CEO [20]**

Just one further point commenting the guidance which I think is important, guidance on our financial debt, which is important. I would like to underline that the guidance, the definite number also will depend on the item related to the balancing mechanism which will have an impact on our net working capital. This will depend on the position that our shippers will take, our counterparts will take at the end of the year and also in relation to the evolution of the regulation.

### **Operator [21]**

Thank you. Stefano Gamberini, Equita.

### **Stefano Gamberini - Equita – Analyst [22]**

Good afternoon, everybody. Three questions if I may. First of all, regarding the international assets, you said that you are working with Fluxys, could you update us to understand if you are actually working in a merger of these assets or not, or which is the other solution that they are working on? And second, when we could expect a final [command] of this agreement?

The second question regarding the distribution, you said that you are ready to invest up to EUR1.2 billion in the tenders. What is the environment that you expect? First of all, clearly, you expect a further postponement because on the other side, we know that the loser of this situation, the small local utilities? And second, do you expect some other big players that could enter on the market and so become the competition [thus]? The third question regarding the consultation paper. Do you expect the regulator will already disclose a sort of range of return or these consultation paper is in your view mainly focused on different system that could be applied or so as you ask a change or showing the timing of the regular update of the [WAC]? Many thanks.



**Carlo Malacarne, Snam SpA - CEO [23]**

Starting from the first question, I said before that the South-North Corridor is very strategic for us but is strategic in terms of having the possibility of a strong interconnection from Italy to the center of Europe, is the reason why the main aspect we tried to commit and to agree the possibility of setting the booking capacity and the [commercial roads]. If there will be some opportunity along such corridor of acquisition, we are ready to analyze the opportunity, but today we are not on the table, a specific discussion or specific acquisition.

And anyway, we have to consider the acquisition if they prove value [accretive]. So, today there is a lot of discussion, but frankly speaking, we are concentrated today in, let me say understand the best managing the process of target of which we need our objective is to create more synergy, more cost reduction. So, our approach will be very pragmatic. So, we are analyzing all the acquisition in line by repeat of our strategy in the corridor North-South but only if we can prove value creative.

For the distribution, we know, it's true that we have to monitoring and to follow a lot of option in a small municipality but we have to consider that 75% of the current business is from Italgas, of Italgas is carried out in gas areas where Italgas is leading and has a relevant market share. So, in terms of possibility, in terms of advantages we have been bidding are very strong, considering that we are leading in 75% of the new area, over 177 new bidding area.

The last question was for the consultation paper of transmission, the new update there.

**Javier Suarez - Mediobanca - Analyst [24]**

Regarding the WAC.

**Antonio Paccioretti - Snam SpA – CFO [25]**

Regarding the WAC, frankly speaking, I think is a question for the regulator, I don't know. Usually, I don't know the final decision will be by the end of the year. So I imagine that in the consultation document, there are all the criteria to have the possibility to receive the comment by old stakeholders, I don't know frankly speaking, that will be some specific number or range of WAC.



**Javier Suarez - Mediobanca - Analyst [26]**

Just a brief follow-up if I may. Regarding this negotiation for booking capacity on North-South Corridor, when do you expect that you could reach an agreement in order to understand also when this service at where you service could start at the international level?

**Carlo Malacarne, Snam SpA - CEO [27]**

We have an agreement today and in the press in the last three or four months, sometimes, we had the possibility to read the spot release by Fluxys in Switzerland or in Germany. The reason is that we have today commercial agreement to push, to increase the possibility of booking capacity in the corridor North-South. So there is no today a risk of bottleneck or a risk when we are ready of the physical rather slow in terms of a commercial aspect.

**Stefano Gamberini - Equita – Analyst [28]**

Many thanks.

**Operator [29]**

Olivier Van Doosselaere, Exane..

**Olivier Van Doosselaere - Exane BNP Paribas – Analyst [30]**

Thank you very much and good afternoon, everyone. I just had two questions. One is on the gas hub and the reverse capacities, I guess that also implies that still expect more capacity to come in, in Italy over the years to come. And I guess that the TAP pipeline will play an important role. So I was wondering if you could update us on whether or not you believe that everything is still going as scheduled today and when you think that that pipeline will be commissioned. And then, the second one is on Italgas, if you could give us an update on the investigation in Southern Italy with regards to any potential corruption over there. Thank you.



### **Carlo Malacarne - Snam SpA - CEO [31]**

Thank you. For TAP, the deadline-- the time frame for the full capacity-- the full import capacity with end of 2020, starting from 2021. The first year, there was some let me say capacity, possibility of capacity, but the full will be beginning of 2021. We are following and we are in discussion with the TAP consortium for the connection with the network-- Italian network, but there is -- what I can say my feeling is that there is a strong interest in signing the long-term contract with the new gas of TAP. So, what we expect is that by 2021, there is the possibility in the Italian network to sign the new transmission contract of the gas coming from TAP. For the second questions, the preventive measure is growing to its conclusion and we confidently await for the final decision of the Court of Palermo in the sense of return of our management in Torino. So we need a restart with our management and frankly speaking, we are confidently await for the final decision.

### **Olivier Van Doosselaere - Exane BNP Paribas - Analyst [32]**

Okay. Thank you very much.

### **Operator [33]**

(Operator Instructions) We will now take our next question from Pablo Cuadrado from HSBC. Please go ahead.

### **Pablo Cuadrado - HSBC - Analyst [34]**

Hi, good afternoon to everyone. Just a very quick question, it's a follow-up actually on the net debt, is for Antonio. You mentioned the guidance that is unchanged from the net debt, EUR13.8 billion, EUR13.9 billion. But also you comment that that will be dependent on the working capital developments on the gas balancing system. So the question is that they have here because I'm not so sure that I got the right impression. Is that the EUR13.8 billion or EUR13.9 billion the guidance that you presented at the business plan assumes that the positive working capital that we have seen during Q1 is going to stay or on the other way around if the working capital is not staying, the net debt should be higher? Just to be 100% clear.



**Antonio Paccioretti - Snam SpA - CFO [35]**

No, the guidance assumes a working capital flow neutral for this year. So assuming not to have to use the cash or to have a source of cash coming from the balancing activities, so a neutral working capital -- change in working capital, EUR13.8 billion and EUR13.9 billion, is the guidance.

**Pablo Cuadrado - HSBC – Analyst [36]**

Alright, very, very clear. Thank you, Antonio.

**Carlo Malacarne - Snam SpA - CEO [37]**

Okay. Thank you to everybody for all your questions. If you need any follow-up or additional information, please contact the IR department.

**Antonio Paccioretti - Snam SpA - CFO [38]**

Good afternoon, everybody.

**Operator [39]**

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen; you may now disconnect.



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