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Presentation

MARCO ALVERÀ – SNAM S.P.A. - CEO & DIRECTOR

Ladies and gentlemen, good afternoon and welcome. Today, we will be looking at our results for 2017, and we will provide an update on our targets to 2021.

2017 was a strong year of delivery on all our KPIs. Looking at the plan update, we've made substantial progress on strategy, enabling us to improve the key targets to 2021. Given the additional visibility from a strong 2017 and the extension of the regulatory environment to the end of 2019, we have rolled forward our existing dividend policy of 2.5% growth by another year to 2019. This will be a floor in real terms over the plan horizon. We will also seek authorization for another EUR 500 million of share buyback, a flexible additional tool for our attractive long-term shareholder value creation.

Let's look at 2017 in more detail. We have delivered on each of the pillars of the strategic plan announced last March, carrying out EUR 1 billion of CapEx and further consolidating our Italian assets through the acquisition of Infrastrutture Trasporto Gas and a stake in Italy's largest regas plant. Reverse flow has started with first bookings on both Tarvisio and Passo Gries. We started offering new balancing services, which produced more than EUR 8 million of revenue already. We have launched Snam 4 Mobility to support gas and transport and are leading the advocacy effort also through GasNaturally. Our affiliates continue to perform strongly. We have accelerated the implementation of our cost-saving initiatives across the group, and we've identified additional ones to outperform our guidance. Also, cost of debt was 20 bps better than expected.

Our excellent performance across the board allowed us to increase net income by over 11%. Cash flow generation also came in ahead of budget on strong results and a positive working capital. This enabled us to carry out planned CapEx, the share buyback as well as additional asset purchases not included in the budget while beating the overall net debt guidance. Alessandra, now over to you for a closer look at 2017.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

Thank you, Marco. 2017 EBIT benefited from a EUR 43 million increase in regulated revenues, of which EUR 25 million came from higher RAB, EUR 8 million came from the new balancing services and EUR 4 million for higher gas volumes transported and EUR 4 million from additional revenues from the 3 months contribution of Infrastrutture Trasporto Gas. Accelerated cost savings of EUR 19 million already fully offsetting demerger synergies, which are expected to reach their run rate of EUR 15 million as well as the costs associated with growing our core business in line with our target of flat core business cost at constant perimeter. Depreciation rose by EUR 30 million, mainly due to the higher RAB and changing mix. Going forward, we expect depreciation charges to increase slightly faster versus the historical pace. Please remember that depreciation is return in allowed revenues after a 2-year time lag. Other impact on EBIT include lower capital losses and amortization for EUR 35 million, the absence of the one-off demerger cost of EUR 7 million,



partially offset by the lack of positive contribution of unaccounted for gas for EUR 17 million, higher risk provision and the contribution to Snam Foundation.

With regards to the outperformance on cost savings, you may remember that this a result of a company-wide program launched last year. Key 2017 savings were achieved by integrating the control rooms and maintenance procedures of transport and storage and the adoption of new technologies to improve energy efficiency and remotely manage our infrastructure. We also reduced external cost thanks to the decline in consultancy services and the internalization of recruitment activities as well as the simplification of ICT applications and optimization of our procurement terms. The increase in savings compared to the target we provided a year ago is mainly due to the acceleration of corporate initiatives. During 2017, we identified about a 20 further initiatives expanding the scope of the overall efficiency program.

The increase in net profit was driven by the improvement in EBIT, explained before, as well as financial outperformance for EUR 36 million, mainly due to the reduction in cost of debt as well as, to a lesser extent, the reduction in the average stock. The net income from associate also grew in the period by EUR 15 million, mainly driven by the full year inclusion of GCA and the performance of Italgas, partially offset by the impairment of Interconnector, driven by the alignment of our book value to the value of the acquisition of a further 8% stake. Overall, our income taxes in 2017 were EUR 17 million lower than prior year, corresponding to a tax rate of approximately 27%, in line with guidance and benefiting from a decline in the corporate tax rate. Cash flow from operations for the period amounted to almost EUR 1.9 billion, benefiting from a EUR 325 million positive contribution of working capital. Of this, EUR 266 million is tariff-related items and include EUR 165 million for overcharging and penalties for exceeding committed capacity, which will be reimbursed over the coming years and EUR 100 million due to the change in time line between the cash in of tariff-related items not yet paid to the equalization fund, which may reverse in the future. Cash flow from operation fully financed net investment EUR 1,046,000,000 and dividend for EUR 718 million. In addition, we executed EUR 210 million of share buyback and invested EUR 217 million in the acquisition of Infrastrutture Trasporto Gas and a stake in ALNG. We also supported a cash call for TAP for EUR 220 million. This led to a negative cash flow of EUR 505 million and to a year-end net debt of EUR 11.550 billion, better than our guidance of 1.8 billion (sic) [EUR 11.8 billion], excluding the true-up from TAP. The reduction in the cost of debt to 2%, 20 basis point ahead of guidance, was achieved thanks to a number of actions: EUR 2.2 billion of new bonds at an average cost of 1% and a maturity of circa 7.5 years with a wide diversification of the investor base; EUR 310 million of a 20-year tenor loan with the EIB at a fixed rate of 1.5%; optimization of our treasury management and credit lines, leveraging on the abundant liquidity in the banking system. As a result -- our liability management -- of our liability management effort, the average maturity of our medium to long-term debt has increased to 5.5 years from 5 at the end of last year, with future maturities well spread over time.



Our liquidity profile remains strong with around EUR 3.2 billion of undrawn credit committed facilities, which more than covers 2 years of financing needs. In 2017, our credit metrics remained well within the rating agencies' thresholds, including adjustments, which as you know are: net debt to RAB, including associate, of 60%; and funds from operation to net debt well above 11%.

Looking forward, our focus remain on derisking our business plan, managing the impact of possible increase in interest rates. Key actions to achieve this goal include: increasing the fixed-rate portion of our debt to 75%; further our medium, long-term debt maturity improvement also considering our capabilities to access the ultra-long term financing market, which is testified by the loan with EIB, which is due to expire and mature in 2037 at very competitive cost; EUR 750 million of 2019, 2020 pre-hedging actions; and a liability management exercise for EUR 650 million executed last October. Furthermore, a 2-year extension of our EUR 3.2 billion of syndicated loan facility to 2021 and -- sorry, EUR 2 billion, 2021, and EUR 1.2 billion to 2022.

Moving on to cost of debt. We expect it to reach 1.8% for 2018 thanks to the full year effect of the last liability management exercise, which impact 2017 only for 2 months, the expiry in March of our EUR 850 million bond with a very high coupon, a 3.875% and a continuous focus on treasury optimization measures. On top of this, potential upside could come from the rollover of approximately EUR 2 billion of public fixed-rate bond expiring in 2019, 2021 at current market conditions that would be an average saving of circa 200 basis point for possible new issues versus expiring ones.

Now back to you, Marco.

Marco Alverà - Snam S.p.A. - CEO & Director

Thank you, Alessandra. Let's now look at the future starting from the supportive gas scenario in Italy and globally. In Italy, we've seen a stronger-than-expected growth in demand. Industrial production growth, coupled with French nuclear outages and lower hydro generation, led to a near 5% demand increase for the second year in a row. Looking forward, we see positive tailwinds for natural gas. The Italian National Energy Strategy includes a commitment to phase out coal by 2025, adding 5 bcm to our base case demand. We expect this to be partially offset by new investments in energy efficiency, both in the residential and industrial sector.

In addition, there's an increasing recognition of the role that gas can play in the fight against air pollution and greenhouse gas emissions. Following on from the DAFI directive, which promotes alternative fuels, the SEN includes specific incentives for green mobility, confirming gas as the key element of the energy transition and underpinning the Snam high case for demand that you see in the slide.



The high demand peaks which occurred during the recent extreme weather conditions have highlighted the value of our uniquely flexible transport and storage system. This has been true in terms of guaranteeing supply, but also helping to mitigate prices. In terms of supply, over the past winter, we not only had to cover demand peaks that were almost 4x higher than summer base loads and in fact, not far off from all-time highs. But the system also had to cope with an unexpected interruption of supply from Russia due to the accident in Austria. And in this time, demand was met mainly thanks to storage. The flexibility of our system also translates into avoided costs for consumers. On the right-hand side of the chart, you see gas prices at the 3 major hubs. When faced with similar demand profiles in the last few cold weeks, price increases in Italy were more muted than in the rest of Europe, and there was no issue at all in guaranteeing supply.

Europe is also seeing a demand recovery, with over 70 billion cubic meters of consumption added since 2014. A key trend here has been the switching from coal to gas, especially in the U.K., thanks to the carbon floor pricing and in Northwest Europe. Looking forward to 2025, demand will continue to be underpinned by the phasing out of coal, which still accounts for 23% of power generation in Europe. This is equivalent to around 180 billion cubic meters of gas demand on a 1:1 substitution basis. This trend is widely supported by EU policies, such as a tightening of ETS and the proposed EPS limit, which should exclude coal-fired power generation from the capacity remuneration mechanism.

At the same time, domestic production in Europe is decreasing faster than forecast. Imports in 2017 were 30% higher than in 2014. The growing gap between demand and domestic production will require significant additional imports from new sources and new interconnections to ensure the continent's security of supply.

Moving now to global view. We see significant increase in consumption in North and South America, the Middle East as well as China, all supportive of energy infrastructure development and related energy services.

Looking further ahead, we see a growing role for renewable gas and gas infrastructure on a long-term, cost-effective, fully decarbonization strategy. A recent study conducted by Ecofys and a group of the leading European TSOs concluded that renewable gas production in Europe on a sustainable basis could amount to 120 billion cubic meters. That's almost the equivalent of Europe's entire natural gas production today. And this excludes any upside from CCS, from carbon capture and storage. Furthermore, integrating this fully renewable gas into Europe's full decarbonization effort would save around EUR 140 billion per year at the run rate. This is done by lowering required investments in heating and providing efficient flexibility in power generation. This analysis excludes benefits in industry and transport, so it's looking mainly at heating. The



narrative around renewable gas as a forever fuel is gaining momentum in the energy debate worldwide.

Technological evolution underpins long-term gas demand, let's look at the renewable gas for transport value chain in Italy. We have recently received over 500 inquiries from potential producers of biomethane interested in connecting to our grid. This market development is strongly supported by a new incentive scheme on biomethane for transport, which has become law last March, a few weeks ago. Several technologies are also emerging on the gasification of solid biomass, and this could add further capacity. Green gas will act as an accelerator for gas for transport technologies. CNG in cars is an immediate solution to tackle air-quality issues in cities. As many European cities move to ban or plan to ban diesel, there's a growing interest for new CNG stations and from carmakers in launching new models. Snam 4 Mobility has so far contractualized 19 stations. And we see the interest of our clients in investing directly in new CNG stations as a positive for the market and for the business model. This implies a different phasing of our own CNG investments.

In heavy and maritime transport, compressed or liquefied natural gas is almost the only way to adhere to tightening environmental standards. The market is growing fast with 1,000 LNG-powered trucks on the road in Italy already, up from 400 only in 2016. And the total LNG demand for transport is expected at 2 to 3 billion cubic meters by 2030.

Natural gas already reduces CO₂ emissions when used instead of diesel and petrol. But when it's combined with biomethane, it becomes a key part of a long term zero CO₂, fully decarbonized strategy. The biomethane incentives support the integration of biomethane and CNG, giving Snam an edge in this potentially attractive market.

Turning now to regulation. A further 2 years of stability has been ensured by the transition period, which will keep the main elements of the fourth regulatory period stable to 2020 for both transport and storage. The main impact of the transition period on our plan is the one-off uptick on RAB. From 2018, it will include 1 extra year of investments carried out by the company. Our WACC will be updated effective in 2019 to reflect prevailing market conditions. We're currently in the observation period, as some of you know, and we have not updated the assumptions of the 2017-2021 plan.

The fifth regulatory period will start in 2020 and is expected to provide growing output-based incentives and a possible evolution to a TOTEX regime.

Turning now to our investments. Last March, we presented a EUR 4.7 billion plan for the 2017-2021 period. On a like-for-like basis, this has now increased to EUR 5.2 billion. On the development front, the main new initiatives are the inclusion of the methanization of Sardinia,



which we expect to be fast-tracked by the regulator. And we've also added additional infilling wells in storage and some investments in technology. Additional pipeline substitution investments have also been included. We're also seeing a new effort of digitalization that we'll talk about. Increased investments, faster capitalizations and the regulatory uptick on RAB support stronger asset growth to 2021 of around 2% CAGR. The changing investment mix will also drive a slightly increasing amortization trend.

Some of the key initiatives of our CapEx plan include the completion of the reverse flow by 2019, which involves laying the remaining 59 kilometers of 56-inch pipeline completing the east-west connection from Cervignano to Mortara; the development of additional storage through the progressive increase of the Bordolano working gas capacity and Fiume Treste update; the interconnection of TAP with 55 kilometers of 56-inch pipeline connecting the landing point of Melendugno to the national network near Brindisi; the methanization of Sardinia which will see 572 kilometers of pipelines laid for a total cost of EUR 450 million. We are consolidating of this EUR 450 million, EUR 300 million in our plan to 2021 with the rest being in the following 2 years. With regards to pipeline substitutions, we have included 650 kilometers of substitutions in the plan.

A significant part of our CapEx, around EUR 360 million in total, is devoted to energy efficiency, best-in-class practices on methane leakage and the adoption of innovative solutions. Key pillars of our energy efficiency efforts include the replacement of older turbines in our compressor stations with new models that save around 20% energy consumption and installing new units to produce electricity and heat on-site as well as renovating some of our buildings and lighting and other energy consumption to improve overall energy class. We have signed an agreement to acquire an energy efficiency company and plan to offer efficiency services also to third parties, providing them with our capabilities.

With regards to our efforts to prevent methane leakage, we continue to increase gas recovery and recompression during the operations on the transport network and storage. We're also replacing existing valves with new, lower-emission models and pneumatic gas actuators with air actuators. Among the investments in innovation, we're installing industry-leading remote measuring systems and leak monitoring instruments that detect external events in real-time and greatly reduce our reaction times and overall emissions. All in all, we target to reduce methane emissions by 10% in 2021 versus 2016.

Turning now to our progress on new business activities. The new balancing services launched in October '16 had a first successful year. We're aiming to further improve on the balancing activities, especially on an intraday basis, thanks to a new and more sophisticated artificial intelligence demand forecasting model. Planned new services will include oversubscription and



buyback, where we use our modeling of network flows to increase available capacity at entry points, easing bottlenecks and providing greater liquidity.

We're also introducing new services to increase the flexibility of storage, leveraging our portfolio of assets to offer short-term products also on a virtual storage basis. 2017 also saw the birth of Snam Global Solutions, which aims to be a business integration partner along the midstream value chain with services including consultancy on greenfield and brownfield projects, training and O&M. Snam Global Solutions is a lever for Snam to develop our international positioning in significant, growing gas markets, fully leveraging our leading industrial know-how and expertise without necessarily deploying any capital.

We are growing already our contract portfolio, serving both our affiliates and third parties and have partnered with GE Baker Hughes and Saipem, among others, to offer integrated solutions in partnership with existing E&C players.

Turning now to our international businesses. We have continued to support their performance from an operational, financial and regulatory standpoint. The key highlights of our affiliates include the continued optimization both on the financial side and operational in our 2 Austrian businesses. In Austria, as well as in France, we have good regulatory visibility now until 2020. In France, the regulation of TIGF's storage business, a change which recognizes the value of these assets to the country's energy requirements. The regulation of this part of the business essentially derisks the overall investment and allows us potentially to optimize further the capital structure. We also see the opportunity of future developments, such as STEP, interconnecting France and Spain, and the possible methanization of Corsica. The acquisition of an additional stake in Interconnector, an infrastructure which provides much-needed flexibility to the U.K. market.

Another highlight is on TAP, the progress is around 70% complete. And despite the challenging local context, TAP remains confirmed for 2020. We have further enhanced our operational contribution to the project by providing a new CEO, Luca Schieppati, who formerly was the head of Snam's pipeline and storage Italian assets. We are working to finalize the financing of TAP with the closing expected in 2018.

Lastly, Italgas is continuing to perform well. Overall, we confirm our previous target of EUR 200 million of contribution from our associates in 2021. As well as the CapEx opportunities included in the plan to 2021, we see potential additional investments, which are not in our numbers. These include a potential additional role for Snam in the infrastructure to supply natural gas to the Sardinian backbone; additional storage capacity as well as infillings on existing capacity; further developments on the southern corridor; a long-term requirement for pipeline replacement with 7,000 kilometers of lines fully amortized beyond the plan period; maintenance



and substitutions that are estimated at around EUR 700 million per annum from 2022 to 2028 and provide long-term visibility on our stable RAB profile.

Looking at Europe, as mentioned, declining domestic production and changing import flows support additional investments in access, integration and national infrastructure requirements. As mentioned earlier, an important element of our efficiency plan is the transformation of our ICT business, which will also support our broader push into digital. This transformation has 3 objectives. First, halving the size of our application map, reducing unnecessary customization costs -- unnecessary customization, reducing costs and cutting development time for new functionalities. Second, exploiting the advantages of cloud technology development while maintaining end-to-end direct control over the more strategic applications in our systems. And third, future-proofing our ICT by in-sourcing new core skills for its development. Our streamlined ICT will support also our accelerated digital transformation, pursued by our newly formed digital transformation and technology unit. We firmly believe in digital as a tool to improve safety and efficiency in our business, better serve our clients and increase the liquidity of the Italian gas market.

As well as working to grow Snam's business, we're also making it more streamlined, agile and efficient. In 2017, we launched a program to train 40 -- a team of 40 internal resources on best-in-class lean and agile methodologies with an aim to rethink our processes end-to-end so they can be optimized. To date, they've identified and implemented already 200 different initiatives which will contribute to our cost reduction. But the lean initiatives are only a part of our overall cost reduction efforts, which also include the integration of storage and maintenance operations as discussed last year. Overall, we have 70 specific cost-cutting actions. These actions have not only allowed us to outperform on 2017, but also to increase our overall savings targets by more than 60% in the plan.

Overall, our enhanced efficiency program will enable us to keep core business costs flat in real terms between 2017 and 2021, offsetting emerging costs from the Italgas demerger and the higher cost of growing our core business and regulated services. Costs from new businesses will grow the total cost base, but will provide positive margins by the end of the plan with profits growing thereafter.

Let's look at our improved 2021 targets. Consolidated RAB will grow 2% a year, operating profits will grow 1%, while EBITDA at 1.5% as it excludes the increase in D&A. Net income growth to 2021 will be around 4.5% a year, better than the 4% announced a year ago. This CAGR starting from 2016 numbers is driven by the operating performance, increasing income from associates, lower financial charges and taxes.



As mentioned, dividend per share will increase by 2.5% in 2018, payable in 2019 in 2 interim tranches and a further 2.5% in 2019 payable in 2020. The resulting level will provide a floor in real terms to the end of the plan period. We see a decline in our payout ratio over the plan period. Our growing results will generate strong cash flows, fully covering our organic CapEx requirements and our extended dividend policy, meaning leverage will be broadly unchanged. This leaves Snam with some strategic optionality, which we will continue to pursue with the strict discipline which has guided the investment decisions we have made so far. We reiterate our capital allocation approach outlined a year ago. We will only invest at or above the risk-adjusted returns available on regulated organic CapEx, and we are committed to our current rating metrics and risk profile. Furthermore, we assess investments based on whether they enhance the value of our existing assets, allow Snam to play an industrial role and third, support additional growth and strategic optionality for the business.

In addition, we're seeking authorization for a new EUR 500 million share buyback from our AGM as well as the authorization to cancel existing treasury shares.

To conclude, Snam can now count on a further year of strong delivery, well ahead of expectations, providing further visibility on our enhanced 2021 targets. CapEx will be EUR 900 million in 2018 and EUR 5.2 billion in the plan. Consolidated RAB will be around EUR 20 billion next year, with a 2% growth to '21 compared to '16. This represents an improvement on the 1.4% CAGR announced last year. Net income will amount to around EUR 975 million in 2018. Our forecast for net income in 2021 has also increased. Our extended dividend policy of EUR 0.2209 in 2018 and EUR 0.2264 in 2019 provides growing shareholder remuneration for the next 2 years.

Our disciplined approach to financial flexibility will further enhance returns through value accretive investments and the flexible buyback capability.

Finally, our net debt guidance for 2018 is EUR 11.5 billion, assuming neutral working capital and a net cash in of approximately EUR 240 million from the TAP true-up.

To summarize, it has been a great 18 months and first year of the plan. We have delivered exactly what we promised when we demerged Italgas and launched the new Snam. We're seeing an increasingly supportive environment for gas infrastructure requirements. We have now achieved strong operating momentum behind the business, and we enter 2018 with a clear sense of direction and a team fully committed to delivering on our upgraded targets for growth.

Our confidence in the future is reflected on the progress we've made in 2017. The business is delivering improved growth rates and an attractive and sustainable return for shareholders. On top of this, following a year of progressing a number of initiatives, we remain convinced that we have an opportunity to become a more global player leveraging on our competencies in the



service area through Snam Global Solutions. And we're confident that Snam will provide additional value as we continue to deliver on our strategy.

Thank you for your attention. We will now be pleased to answer any questions.

QUESTIONS AND ANSWERS UNIDENTIFIED COMPANY REPRESENTATIVE

Ladies and gentlemen, we are now opening the floor to the Q&A session. (Operator Instructions) And operator, please, can you remind how to register from the conference call? I think we could start from the floor here. Please, Harry.

Harry Peter Wyburd - BofA Merrill Lynch, Research Division - VP and Junior Analyst

It's Harry Wyburd from Merrill Lynch, 2 questions for me please. First one on international investments. Your domestic investment plan is up, your buyback plan is up. Does that mean that your international investment plan is tacitly down? And could you remind us what the sort of goalposts are on your balance sheet, so debt-to-RAB targets and how much balance sheet capacity that gives you? And then the second one is on politics. How to read through the Five Star Movement's energy plan, which is quite complex on the gas side. It stresses an increase in usage of gas in the short run, but a phaseout in the long run. And I wonder what your thoughts were on some of the energy programs from all the parties, Five Star Movement, the League as well. Have you had any talks with those parties? And what's your view on their policy or proposed policies for gas?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Okay. Thank you, Harry. So starting with the first question. The -- our international associates are not consolidated. So they don't -- they're not part of the CapEx profile, which is -- and there's no change. They're on track to deliver their CapEx. The French upside I mentioned, the STEP and Corsica are not even in their plan, but they wouldn't show up in our plan either as these are



nonconsolidated affiliates. In terms of other international opportunities, we're continuing to look for opportunities. We're not in a particular rush. We continue to remain very disciplined with a kind of a no growth for growth's sake priority. So what you see is an increase in the CapEx in Italy driven by new and incremental opportunities as we've described.

In terms of the energy policy, there's a few elements of -- so first of all, let's say that the SEN, which is the national energy policy, has gone through a rather extensive debate in parliament. It's been, let's say, a proper, formal consultation that the government has had to do. So all the major parties in the country have had a chance as well as industry players as well as consumer associations and other groups have had a chance to comment on it. So that's the result of the consultation. The -- I think what's important for us is that gas was really put at the center of the energy policy rather than in a marginal role. And this is very true for the phasing out of coal, which I think is something that everyone agrees is a positive for the country. And probably the cheapest way to reduce CO2 compared to other measures to reduce CO2.

I think when it comes to alternative transport, there's a growing trend across all the political spectrum that air quality is, let's say, as pressing, if not a more urgent issue than CO2. And especially because a number of cities are way above their legal level for air quality. And so people see gas in transport as a real quick solution to address this issue. This has also been formally communicated by the Italian government to Europe, which is really watching carefully these pollution levels. So I wouldn't say it's a binding commitment, but it's becoming more and more of a commitment around it. So I think there's a lot of consensus around the political spectrum around a central role for gas in the medium term. When you look at the very, very long term to a fully decarbonized outlook that some people are trying to pursue, I think what we said about Ecofys is really where the narrative is moving towards, finding ways to make gas renewable, biomethane is one option, CCS. We're talking about now the very, very long term. CCS is another option. Power-to-gas is another option. I think it's very encouraging to see that across the industry spectrum, spectrum, a number of players are now fully investigating each of these alternatives.

Harry Peter Wyburd - BofA Merrill Lynch, Research Division - VP and Junior Analyst

Sorry. Could I just quickly follow-up on the balance sheet hedging point.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

The net debt-to-EBITDA threshold set by rating agencies is 60% on rating-adjusted metrics. So we are slightly more than 50%, well within the boundaries of what is allowed for. I think you can make your own assessment given our RAB what that may mean in terms of broadly financial flexibility that we have, but this is still above what is implied in the regulatory WACC. So that's why we are not in a rush because we are more levered than what is recognized in the regulatory WACC.



Unidentified Company Representative

Rui, just behind you.

José Javier Ruiz Fernandez - Macquarie Research – Analyst José Ruiz from Macquarie. Just 2 questions. First of all, can you please specify what has changed compared to the previous CapEx plan? Which projects have you added to justify the 10% increase? And secondly, if you look at the consensus numbers, the previous guidance, 4% growth, was still ignored. What makes you think that the consensus will follow the new guidance, the 4.5% growth in EPS?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

So on the CapEx front, there's an increase of EUR 500 million. So we said EUR 300 million of that comes from Sardinia. The part -- so overall Sardinia is EUR 450 million, EUR 300 million is in the plan period of the EUR 450 million. And we consolidate that even though we will be doing that in partnership with SGI. But because we consolidate, we report 100% of that number. Then we have around EUR 100 million of faster amortizing, let's say, technology -- ICT and technology-related investments. And then we have another EUR 100 million of new transport and storage CapEx that wasn't in the previous plan. And this is a mix of new activities in storage and some acceleration in the substitution as well as some maintenance CapEx. So that's what we see in terms of new opportunities. In terms of the consensus, I'm not -- can you -- what exactly do you...

José Javier Ruiz Fernandez - Macquarie Research – Analyst

No. I mean, consensus, if you look at the consensus, is growing EPS below 4%, which was with your previous guidance. What makes you think that the new guidance, 4.5% CAGR, is going to make consensus move a little bit closer to that guidance?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

I think it's a question for you guys to answer. I mean, we are providing our outlook to the best of our knowledge. I think in terms of 2018 outlook, at least we've tried to be very precise with a specific number, which is EUR 975 million of net income. So I think that's just a view that people have to take on our plan.

Unidentified Company Representative

Stefano, please

STEFANO GAMBERINI- EQUITA SIM SPA, RESEARCH DIVISION - ANALYST

Stefano Gamberini from Equita SIM, 2 quick question, if I may. The first regarding the international opportunities. You have here a list of opportunities that you are looking after. What is in your view the most



Clearly, I'm referring to the 2 feasibility study of new interconnectors between Greece and Italy. And if you think that this could be an opportunity that could arrive quite shortly? The second question regarding the review of 2020, the introduction of TOTEX. What is the main risk you see with the introduction of TOTEX for your company? Or in general, the main risk you see in the regulation that could be updated in 2020? Because if I'm not wrong, in 2019, the update in 2020? Because if I'm not wrong, in 2019, the update of WACC is more or less automatic.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Thank you, Stefano. So on the CapEx opportunities, the reason we've put them there is to make very explicit that they're out of the plan. So I don't think we have a ranking or a priority yet. These are opportunities that we're monitoring. They could take time. Some of these projects take – have been in discussions for decades. Let's just think about the STEP project between Spain and France or others. So I would say that nothing is imminent.

The interest from third parties to come to Italy and to use Italy as a hub, I think, is very interesting. We've been saying this for a while now. It just confirms the strategic value of our assets for the very long term for the benefit of the whole of Europe. But I don't think we're in a position to pick one of the different routes. There's a number of moving parts. There is, of course, TAP, which I said is 70% complete. There's TAP Phase 2. There is Poseidon, which we're not involved in. There's a Greek to Bulgaria interconnector that we're not involved in. There's TurkStream. There's the whole development in the Eastern Med. Some people have talked about an East Med opportunity. Some people think that the TurkStream could go up through Eastern Europe. I think there's a number of opportunities around the whole kind of Balkans, Eastern Europe, plus Southern Europe area, but I don't think we're yet in a position to comment specifically on this. And you'll see the progress. And you'll read about the progress. These are going to be very visible and public projects.

In terms of TOTEX, the risk I see is that we don't take the change seriously enough in terms of changing our company culture. This is a big shift in the way you run the business because in a post-TOTEX environment -- in a TOTEX environment, you need to really be able to predict with a maximum degree of accuracy your CapEx, which is something that the EPC contractors have to do for a living, but it's something that we've never really had

to do because we retain that flexibility to get reimbursed anyway. So we are trying to mitigate that risk by creating a very strong internal task force. We have some people from Snam in the room today that have joined us from the outside just to focus on this. So that's how we want to mitigate the risk. Looking at other experiences and trying to learn from other people that have gone through TOTEX. And we are privileged in a way to have Terna kind of ahead of us so we can also learn from their experience. So we really want to be ahead of the curve and be as collaborative as we possibly can with the new regulator when they will be in place to begin engaging on TOTEX upfront and have years to get ready for it. On the other hand, I see big opportunities from TOTEX because as we move -- and I think some of the first decrees for Terna



today are very encouraging. When you move towards an output-based model, there's a lot that we can do to improve the system, the liquidity of the system, some of the quality of services, some of the R&D around the future of gas and renewable gas and greening gas. I think a lot of these things could very well play in our favor if we can get that mix right. So I see that as an opportunity, not being ready for TOTEX is really the big risk.

Unidentified Company Representative

Operator, before coming back to the floor, may we take a couple of questions from the conference call, please?

Operator

(Operator Instructions) And our first question comes from Enrico Bartoli from MainFirst.

Enrico Bartoli - MainFirst Bank AG, Research Division - MD

First of all, a question regarding the CapEx that you are planning in the energy efficiency. If you can give us more color on actually what kind of project this CapEx would entail? And what benefits that you expect from this kind of CapEx? And if this CapEx is included in the RAB? My second question is related to the assumptions that you have in terms of returns on RAB for transport and storage starting in 2019 in the growth target that you provided in your presentation. And then I have a question regarding Slide 11. So the slide when you show the next expiration of bonds. It seems that actually the bonds that are expiring in the next few years have a quite high coupon. So if you can elaborate a bit on the third opportunity that you have in terms of reducing your cost of debt, if you can give us some hint about the assumption that you have in cost of debt from 2018 until the end of the plan.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Okay. Thank you, Enrico. I will take the first 2 and then leave Alessandra to answer your question on Slide 11. So on Slide 21, which is the energy efficiency slide. With the exclusion of the EUR 17 million, 1-7, that we will pay for TAP, which is the energy efficiency company, the other numbers are all in the RAB. They -- you can see on the slide itself a breakdown. I won't read it, but there's quite a detailed breakdown of what the investments will be. And they will all be part of the network to make it more efficient and to reduce the emissions. And the know-how that we will gain from these investments will really bring us at the forefront of energy efficiency in our sector. So that's why we plan to then transfer these skills not only to our affiliates, but hopefully, sell them also to third parties as well as to industrial customers.

Including the regulatory assumptions in the plan, as mentioned, we've kept to the same assumptions as last year when it comes to WACC. So just to remind everyone, that was a 20 basis points reduction from the current WACC in transport as a consequence of the adjustments that will happen this year that affect next year. Alessandra, do you want to comment on Slide 11?



ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

Yes. What we simply wanted to say is that, as you noticed on the slide, there are some bonds that still have very high coupon. If we apply the current market environment to these bonds, this would imply a saving overall of 200 basis point. And so this is -- we are talking about EUR 2.2 billion of debt, but this is just to say that assuming market environment doesn't change from today, this is the maximum type of benefit that we could aim of achieving. Now in our plan, what we are looking at and assuming in the numbers that we have given, including the CAGR of the net income, is actually the forward curve and the expectation of growing rate, i.e., we are not factoring the benefit that this slide implied, but this is something that we'll keep working on to the extent the market allow us to do so. In terms of overall cost of debt, as we said, 2018 is 1.8%. We hope at current environment and based on current forward curve to be able over the next 1 or 2 years to further reduce it very slightly, but then we will see towards the end of the plan an increase of the cost of debt back to more or less current levels.

Operator

We'll take our next question from Javier Garrido from JPMorgan.

JAVIER FERNANDEZ GARRIDO - JP MORGAN CHASE & CO, RESEARCH DIVISION - HEAD OF UTILITIES AND SENIOR ANALYST

I have just one question. I think generally you could elaborate a bit more about the rationale of your combination of dividend policy and share buyback. Firstly, you have asked permission to cancel the shares you have already bought back. Will you do the same with the EUR 500 million of buyback you are planning now? And then, if I am correct, you are still basing your dividend policy in DPS growth. Considering the amount of shares you are buying back, this 2.5% DPS growth will actually mean a reduction in the total dividend paid. So given that you are so comfortable with your debt-to-RAB level, is there any reason not to expect that at some point the dividend, not just the DPS, but the total dividend will grow and shareholders will benefit from the cancellation of shares?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Thanks, Javier. So we have not asked for any formal authorization on the new shares that we're buying back. So we're not committing to what we do with the EUR 500 million, with whatever shares we buy as a consequence of the new plan. I think it's rational once you have bought back shares, just generally speaking, apart from the ones that you may need for particular instruments, like the convertible or management incentives, the rest of the treasury shares, there's no real value in sitting on them for a long period of time.



Regarding the dividend policy, we -- certainly, your analysis is correct. If we were to buy all the shares, we would have, let's say, an accretion, so to speak, from an overall dividend perspective. But we really look at the dividend, as we mentioned last year, we want it to be supported by the earnings more than by the balance sheet. And so we look at the dividend as compared to the earnings growth. And we want it to be not only sustainable, but we also mentioned we wanted the payout to come slightly down from where we were at the beginning, in 2016. So we look at the dividend as comparing that to the earnings growth and the longer-term earnings outlook. I hope that answers your question.

Unidentified Company Representative

Stefano, no, James.

JAMES BRAND - DEUTSCHE BANK AG, RESEARCH DIVISION - RESEARCH ANALYST

James Brand from Deutsche Bank. Three questions, if I may. The first is just on the output-based incentives and following along a little bit from some of your comments earlier that is a potential opportunity and some positive signs from the paper that was released for Terna. Should we expect something similar to be coming out for you anytime soon? Or is it going to be years before we get more details on what your output-based incentives would look like? Secondly, just a bit of a follow-up on the last question on the dividend. You obviously gave the floor growth rate for the final 2 years of the plan of being at least in line with inflation. How should we think about that? Should we think about that as plugging that

into our models and that's a realistic target, have the dividend growing by inflation in the last 2 years? Or is that very much something that you have an aspiration to do better than? And then thirdly, I was wondering if you could just explain where we are in terms of the financial flows on TAP now because they are a little bit complex. I make it that you would have invested a combination of equity and loans of about EUR 600 million at the end of last year and then with the EUR 240 million cash back, maybe that drops to EUR 350 million. But if you could just explain a bit more where we are on TAP and how much money has been invested and where that will be at the end of the year, that would be great. Sorry, that's probably more than 3 questions.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Okay. Thank you, James. So on output-based, I think it's -- it would be too early for us to see a full package like the one that's come out this morning, I think, for Terna. But I do think that, for instance, the balancing services, which is an output-based mechanism, generated EUR 8 million in the first year. And it's not an easy EUR 8 million. It's an EUR 8 million that required us to completely reengineer our whole way of balancing the market. And what we're doing when I mentioned artificial intelligence, that's real hard work to try to get down to proper and accurate forecasting of the demand for natural gas with so many moving parts. You can think of just changes in the wind patterns or the sun patterns will alter the amount of gas consumed by the system. And we need to do that in a very accurate way. So these revenues don't come for free.



You need to really work and work well to get the profits. They work both ways. So if you get some of those numbers wrong, you also can be paying penalties. So we shouldn't consider this as free money. But because we're, I think, always interested in having more opportunities that we can work towards to generate greater profits. I think we will see gradual evolution towards a more output-based incentive scheme. And we've seen some already. And I think we're quite satisfied. And I think the regulator and the consumers are quite satisfied with the way they are working.

In terms of floor, I think when we say floor, you should see it as for what it is. It's a floor. So certainly, we won't do any worse than that. And certainly, there could be room to do better, but we just want to make it clear that we also have the certainty of being able to pay inflation, whatever inflation will be. So this comes as a consequence of our business being hedged against inflation. And some people are concerned of future inflationary scenario in Europe and that event. We just want to reassure those people that our dividend will neutralize them from that risk. In terms of TAP, I think your calculation is correct. But Ale, maybe you can -- if you have anything more to add.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

I think the concept is that we're working on the financing of -- together with other shareholders in TAP on -- to get to financial close during this year. Once the financing will take place, what we call true-up is effected that we will get back some of the money that we have put in as equity. We estimate this to be around EUR 400 million, which is why we are providing numbers adjusted as we said. So we will continue to provide cash call during the year. And then at the point of financial close, we will get back approximately EUR 400 million through the cash call.

Unidentified Company Representative

Anna Maria?

ANNA MARIA SCAGLIA - MORGAN STANLEY, RESEARCH DIVISION - RESEARCH ANALYST

It's Anna Maria Scaglia from Morgan Stanley. I've got 3 question, if I may. The first one is about Greece. You're being quoted by the press as one of the interested parties in DESFA. I was wondering if you have an idea when you can provide us an update in terms of timing. The second question is around CapEx. And I was wondering what the level of CapEx in your plan which is already authorized because we are reading in the press that some of the not in my backyard type of events come and it's not just about Puglia, but also Sulmona. So I was wondering there how much is authorized. And last, very quickly, what's the inflation assumption you have in your RAB estimates?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR



Okay. So I think, DESFA, it's a live process. It's ongoing. I don't think we want to comment. We don't normally comment on M&As, in particular, if it's a live transaction. The timing is quite soon. So you can follow that easily on the media. In terms of CapEx, I would say, stepping back from authorized or not authorized, I think we have -- this is a rough number, but just to give you a sense, around 60% of the overall CapEx is already committed. And when it comes to NIMBY-ism, because in these types of projects, you need constant authorization to get the project done, it's not -- the problem is not really that of being authorized, the problem is that of just persuading people that we're talking about pipelines, which are below the ground, not visible, odorless, risk-free and actually providing a cleaner environment and cheaper energy. So I think we have significantly stepped up our dialogue with local communities. And we'll continue to do so. Ale, I think you can take the last question.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

In terms of deflator that we are assuming is approximately 1% during the plan.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

So it starts lower, ends up slightly higher, 1% is, I think, the average for the plan.

Unidentified Company Representative

We have one more question from the call, I think.

Operator

We now take a question from Antonella Bianchessi from Citi.

Antonella Bianchessi - Citigroup Inc, Research Division - Director and Head of European Utilities Equity Research

Yes. Just one big question -- big-picture question and 2 small. The first one is, can you elaborate on the Ukraine and Russia debate over the Brotherhood pipeline? And if this could have -- the outcome of this debate could have an implication for Snam, which is the picture for you? The second question is on CapEx, very long term, which is the level of sustainable level of CapEx, which is the level of CapEx that you think the company will need in the very long term to basically maintain its business going? And then 2 small things. One, if you can give us guidance on the amount of millions you're going to spend in 2018 for the share buyback? A range would be good. And the other thing is just a clarification on Slide #28 where you mentioned increasing capitalization among one of the reason of the increase in the D&A. So if you can just explain why there are more capitalization, some details.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Thank you, Antonella. So on Ukraine, when a few months ago, there was the G7 Energy in Rome and Snam, together with Naftogaz, we entered into an MOU to -- where we basically said, in case



we are invited by Naftogaz or the Ukrainian government to help modernize the Ukrainian transit system or parts of the Ukrainian transit system through our affiliate, Snam Global Solutions, we'd be happy to do so. Of course, this requires, I think, an agreement between Russia and Ukraine on how much gas transits through the country. And we have to be invited to do so. We said that we would not look at buying stakes in the company. So this MOU has been, I think, disclosed to all parties. I think new -- other European TSOs have indicated their interest in either joining us in this effort or providing, let's say, an alternative proposal. So this is more about operations and maybe investments to improve as opposed to anything different. We're not looking to purchase any network.

In terms of the CapEx, I think what we said is that we have -- because of the replacements that are necessary with the pipelines being, in some cases, fully amortized and because of the maintenance CapEx that have to do just with the morphology of Italy and the fact that -- and the same applies, as you know, to Italian highways and Italian railway systems. The whole north to south route is subject to some very subtle and small movements that require continuous maintenance and adjustments to all the infrastructure along the north to south Italian route. So between maintenance and replacements, we have a very long-term visibility over the stability of our CapEx, in the sense that CapEx will equal amortization, let's say, for the long term, whether that's 10 or 15 years, we can debate.

In terms of buyback, we don't have any guidance specifically for 2018. So this is a plan that we've asked the AGM, yesterday's board meeting to authorize us for. As you know, under Italian regulations, this will have a validity of 18 months. In terms of capitalizations, I think as we have -- maybe, Ale, then you can add some details. But as we have more capitalizations in the plan and in particular, we have some more ICT-driven investments, these will amortize faster than the normal CapEx. And so this will contribute to increasing the D&A charge.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

Yes. Just a couple of comments on the buyback. Of course, 2018 guidance on net debt does factor in the buyback executed to date, which is ongoing, which more or less will be around EUR 140 million, just as a reminder.

And as the depreciation is concerned, I think the effect is equally split between an increase in capitalization, which came during the life of this plan, with the delay of 2 years for those depreciation to be incorporated in the allowed revenues on one side and the enhanced investment, not only in digitalization, which is very short-lived, but also in things like the efficiency, energy efficiency investment that we described earlier, which obviously have a shorter life than a usual investment in pipeline.

Antonella Bianchessi - Citigroup Inc, Research Division - Director and Head of European Utilities Equity Research



Can you confirm the change in capitalization just on the standard dynamic of the EBITDA?

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

I think this plan has approximately EUR 200 million, roughly speaking, of more capitalization versus the prior plan. And as I said, the effect is equally split between the 2 event, is a 50-50 approximately type of contribution.

Unidentified Company Representative

We have Bartek here from the floor.

Bartłomiej Kubicki - Societe Generale Cross Asset Research - Equity Analyst

This is Bartek Kubicki, SocGen. Maybe 2 questions. First, on the net income guidance. Basically, if we look at apples-to-apples, you are guiding only EUR 35 million increase. I think EBITDA would increase significantly this year because we have 2 events: A, the transition period for transportation; and B, the extra investment you did last year on the pipeline. So probably we're talking about EUR 50 million, EUR 70 million. You were guiding around EUR 80 million last year for the pipeline. So we are maybe talking about, let's say, EUR 60 million, EUR 70 million extra EBITDA. And then you have lower financial costs, 20 basis points. It's roughly EUR 20 million. So what is missing here? Obviously, the D&A would be higher. That's the first thing. And the second thing is, obviously, the associates. So I also wonder if you can maybe guide us on the associates. What is their recurring sort of figure, except for Italgas? Also this year, you booked EUR 150 million sort of recurring, but I think there was also an impairment of Interconnector, probably roughly EUR 20 million. So the recurring will be maybe EUR 170 million. So just if you can elaborate on this? And the last one on TIGF, regulation of the gas storage in France, in European, this would be significantly positive, significantly negative, neutral-ish for them? Obviously, for the valuation is one thing, but for the sort of contribution of the business on your P&L.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Okay. Thank you. So I will answer and then, Ale, add in if you feel there's more details you want to give. So when comparing '18 over '17, you certainly have the upsides that you mentioned. You have probably some -- you have some more D&A. You have some increases in costs in the new activities. Some of the new activities that we've launched are ramping up. So they, as I mentioned in the talk earlier, they will be profitable by the end of the plan and generate profits thereafter. But as we grow them in this start-up phase, they're actually generating more costs. And I think it's also fair to say that the Italgas demerger costs are slightly ramping up. This is all planned. This has to do with Italgas reducing their reliance on some of our services, so some of the costs that we have we will take time to reabsorb as we mentioned when we announced the demerger. There is maybe some adjustments. I mean, 2017 was a year of very strong performance also on the revenue side coming from volumes. With full utilization of the network and the storage, that full utilization is not necessarily a prudent forecasting assumption. On TIGF,



then I'll leave the floor to Alessandra on TIGF. I think the outcome is spot on what we were expecting, in line with our hopes. And I think more than anything, it gives this business a very solid risk profile. And I think the French have somewhat looked at the Italian model, where storage being regulated is more useful for the system, and they can ensure the right level of investments and use of the storage.

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

I think you said it all. I think the only element is maybe that on the Austrian asset we expect a slightly weaker performance next year due to effectively just incorporating on one side same effect as we discussed about volumes. There have been a lot of short-term revenues in '17, which we don't expect to recur. Some call it regulatory-related adjustment. So we already know that next year the results will be slightly lower. As always, with this type of -- with regulated asset, you need to face this. But on the other side, we will work through the plan to find ways to make our contribution consistent, which is why you may have 1 year where results are slightly lower, but does not just indicate a trend of declining revenues.

Bartlomiej Kubicki - Societe Generale Cross Asset Research - Equity Analyst

Are you able to give us some guidance regarding the associates' contribution?

ALESSANDRA PASINI – SNAM S.P.A. - CFO AND CHAIRMAN OF SNAM RETE GAS

You know that is something that we don't typically -- we give, but this -- it's a fair attempt, but no.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Maybe one number we can share given you asked this question specifically is that the year-on-year impact on the regulation of TIGF is worth on the storage around just slightly more than 10%.

Unidentified Company Representative

Olivier, here.

Olivier Pascal Michel Van Doosselaere - Exane BNP Paribas, Research Division - Analyst of Utilities

This is Olivier Van Doosselaere from Exane. I just also have quickly 3 questions. One, if we can come back to the international operations and your potential there, maybe 3 points on that one. One, in the past, there were some talks about you and Fluxys maybe being able to do something closer together. I don't know if that could ever come back on the table and what your thinking is there. Secondly, in terms of potential operations, we've heard that EDF and Total might be thinking of putting -- of selling their Dunkirk LNG terminal. I wonder if that could be an activity in which you could be interested. And again on international, if on the German side, with what is



happening there in terms of shifting of the landscape, clearly, there are some stakes in transport assets, which I suspect would be interesting for you because it gives you an angle on the import from Russia. I wonder if those are assets that you are looking at. A second point was just simply, I was wondering why you have not decided to roll over your strategy plan by 1 year as you used to do. Is there any factor of risk that you see in 2022 that, that would provide then a lack of visibility, just pure curiosity. And the last point, you went a bit quickly, but I was wondering if you could come back to what you said in terms of potential reversals of working capital because I think some of the positive impacts of 2017 could reverse, but then I think the guidance for 2018 on net debt assumes a neutral working capital effect.

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Okay. So on international, I think with Fluxys, we are doing quite a lot already because I spend a lot of time with Fluxys. We have a great working relationship. We are together in TAP for sure. And I think we have a very close level of cooperation. And the study I showed on Ecofys before, that's really, I think, a new effort among TSOs to really see where we have win-win areas of joint interest, whether it's technology, R&D, advocacy, narrative around gas. I think that's working very well. I'm personally not a believer that you need to physically connect different pipelines to extract greater value. At the end of the day, the value you extract is a function of the industrial knowledge that you have and that you can bring. And the industrial value is more relevant in -- when you have either new projects, so greenfield or brownfields or revamping or a transition maybe from nonregulated to contracted and regulated. So I would leave it at that. I think we've touched upon this last year.

And this brings me to your other 2 international questions, which are around France and Germany. I think it's no secret that we were looking at Germany when an asset was for sale called Thyssengas. We were -- in the media, it was reported that we were one of the bidders. And we were not bidding high enough. And I think we're quite happy with that because we don't feel our space is to participate in expensive M&A auctions and compete with pension funds. We think we're an industrial player, and we can extract more value from projects where we can bring in our industrial knowledge. So to the extent there are assets for sale that are already up and running, we don't think we're necessarily the best buyer for those assets just from a valuation point of view. We are better off investing in our own organic CapEx or even buying back our own stock is -- we're paying some 15%-type premium in a growing RAB is better than paying a 20% premium in a non-growing RAB. And every time we do a buyback, as was mentioned earlier, we have around 5% or 6% as the dividend grows, yield that we save. So we can pay back the premium over 2 to 3 to 4 years. And that's really the logic that we have when allocating capital.

When -- so that applies to both Germany and France. If there's organic opportunities like STEP, very interested. If there's situations where maybe someone wants a strategic investor, I think we have an edge. If it's a purely financial auction, I think it may not be for us. In terms of 2022,



there's absolutely nothing happening in 2022. Simply as you heard earlier, the strategy is very much the same as last year. So we felt it was more interesting for you to have a year-on-year comparison so you could really monitor our progress and match us off a like-for-like comparison. So nothing more than that. And perhaps next year, if there's some strategic difference, we may have an entirely new plan. In terms of reversal of working capital, I think you're right, it will reverse. We don't expect any imminent and full reversal of what happened. Ale, I don't know if you want to give any further detail on that.

Alessandra Pasini - Snam S.p.A. - CFO and Chairman of Snam Rete Gas

If you go back to what we discussed earlier in terms of commenting our cash flow movement, there was a pretty chunky number of EUR 266 million. Of this, the overcharging and penalties are working as usual. So nothing, I mean, of course, we will need to give those back, but then there will be new amounts that will mature. So that's pretty normal. The elements where there may be some reversal is the one that is related to the change in mechanics, in dealing with tariff-related items, in dealing with the equalization fund, which has clearly benefited us in 2017. At some point, this may change in terms of reversal. But effectively, just to quantify what we are talking about, that's the only piece that has -- may have this reversal effect, which is not a factor in our 2018 numbers.

Olivier Pascal Michel Van Doosselaere - Exane BNP Paribas, Research Division - Analyst of Utilities

Was that the EUR 266 million or?

Alessandra Pasini - Snam S.p.A. - CFO and Chairman of Snam Rete Gas

It's EUR 100 million, roughly speaking.

Unidentified Company Representative

If there are any other question from the floor or the call? Otherwise, please, Stefano.

STEFANO GAMBERINI- EQUITA SIM SPA, RESEARCH DIVISION - ANALYST

One quick follow-up. Regarding the asset-light or nonregulated activities, what is the EBITDA do you expect at the end of the plan? You said at the beginning that you have higher cost right now for new activities that you are launching in this year. So in a normalized picture at the end of your plan, what could be the EBITDA from Global Solutions or the other activities that you are working on?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

So just to give you absolute numbers, we have confirmed our targets of actually over EUR 150 million of cumulated revenues from these services. And I think you can use for your assumptions an EBITDA margin of between 15% and 20% on these activities. I think we should hold it there.



But as we ramp up some of these activities that hopefully grows over time. But Global Solutions is not really just a profit center, it's really a way to enter new geographies and reposition the company to have dialogues with these governments that are in gas markets that are growing very, very rapidly. And they need advice. They like advice. They need to think how to develop the storage, how -- and if they integrate storage and transport, how they revamp transport, how they source new gas to come into the market. So I think that opens up very interesting strategic dialogues for the company.

Alessandra Pasini - Snam S.p.A. - CFO and Chairman of Snam Rete Gas

Maybe I would also add that on the regulated services, that is the other side of the asset- light revenues that we comment on, that's slightly different because that's effectively based on our own competencies without CapEx investments so the marginality there is slightly ahead of what...

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

Slightly higher, yes.

Unidentified Company Representative

We don't have any more questions. So Marco, do you want to say some closing remarks?

MARCO ALVERÀ - SNAM S.P.A. - CEO & DIRECTOR

No. Just thank you all for being here. This has been a year of delivery. And we just wanted to update you on the progress that we're making, nothing more than that. Thanks for coming.

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