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Full Year 2024 Consolidated Results Conference Call

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LUCA PASSA, CHIEF FINANCIAL OFFICER
FRANCESCA PEZZOLI, HEAD OF INVESTOR RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Snam Full Year 2024 Consolidated Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Francesca Pezzoli, Head of Investor Relator of Snam. Please go ahead, madam.

FRANCESCA PEZZOLI: Good afternoon, ladies and gentlemen, and welcome to the presentation of Snam's full year 2024 consolidated results approved by the board today. The presentation will be hosted by Snam CEO, Stefano Venier and by Snam CFO, Luca Passa.

In the presentation, Stefano will provide an overview of the strong financial and industrial results delivered over the last 2 years, the most relevant achievements on our ambition to build the Pan-European multi-molecules infrastructure player and key market highlights of the period.

Luca will provide the financial performance overview, which has been remarkable as well, the emission reduction progresses and the 2025 guidance. Then back to Stefano for closing remarks and finally the Q&A session.

I will now hand over to Stefano.



STEFANO VENIER: Thanks, Francesca, and good afternoon, ladies and gentlemen. Over the past years, we made significant progress in strengthening security of supply while reducing our carbon footprint, leading the way toward a decarbonized energy system and establishing the foundations for long term growth and decarb opportunities.

During this period, we conduct an M&A activity coherent with our asset footprint to bolster a systemic approach to the energy system. Concurrently, we worked with our associates to support their growth and maximize their value and implemented asset rotation in line with our strategic focus on key energy corridors in Europe and the Med area. We achieved a double-digit growth in an environment marked by fluctuating gas demand and prices, changes in gas flows and rising interest rates.

The energy market and geopolitical situation continue to be unsettled, emphasizing the need for reliable, affordable and prospectively decarbonized energy supply. These accomplishments were achieved while providing attractive remuneration to shareholder and maintaining full financial flexibility.

Since the beginning of the energy crisis, Snam has achieved significant milestones and delivered remarkable results. On the operational front, focusing on national infrastructure.

First, we have continued to develop and renew our network with a future proof approach.

Second, on LNG, capacity has tripled from 6 BCM to 19 BCM, the Piombino Terminal and the Ravenna Terminal has been set up and additionally, OLT capacity has increased to 5 BCM from the 3.7 BCM and soon we will follow the Adriatic LNG.



Third, on storage capacity, this has been increased organically to 17 BCM, thanks to enhanced performance driven by the new investments. With the integration of Edisons which recently closed, the total capacity will reach 18 BCM, corresponding to more than 17% of the European capacity percent, of course, of the European capacity. The Snam Group will operate 12 storage sites in Central and Northern Italy near main consumption hubs.

Financial metrics show strong double-digit growth with 2024 EBITDA up 23% versus 2022 or plus €516 million and net profit rising 11% despite the higher interest rate cycle. Capital expenditure have increased by 50% compared to 2022, 3 times the pre-crisis average of €1 billion per year, totaling €8 billion over the period of between 2022 and 2024.

During the same year we made financial acquisition for for over €2 billion. The just announced disposal of ADNOC gas pipelines brings the total asset rotation to almost €2.5 billion between acquisitions and divestitures. Despite the challenging condition, including a reshuffle of gas flows, we have reduced our Scope 1 and 2 emissions by a remarkable 28% in 2024 versus 2022.

Page 4, we are progressing on our strategy to build a pan-European multi molecule infrastructure operator. Starting from gas infrastructure, the first phase works of the Adriatic line have fully started. Works are on track. We have upgraded export to Austria from 6 BCM to 9 BCM per year and contracted more than 200 connections of new biomethane plants to our network.

On storage, we have offered reverse flow services during winter season and storage level is currently at 45%. On LNG, the regasification vessel BW Singapore successfully completed its mooring about 8 kilometers offshore Ravenna in line with the planned schedule.



Operations are set to start at the end of April. In 2024, approximately 150 LNG cargoes arrived to Italy, covering 25% of gas demand and providing larger diversification as 1/3rd of the volumes came from United States, 1/3rd from Qatar, 1/4th from Algeria and the rest from the rest of the world.

Moving on the other side on energy transition. Renovit backlog reached €1.4 billion up 17% year-on-year as the company is repositioning its business toward long term energy performance contracts with public authorities and large industrial clients.

On biomethane, 9 plants won the tariff auctions launched by the GSC, about 20 megawatt, 100% of the plants submitted and 14 additional were submitted in January. SouthH2 Corridor and CCS were confirmed, as you know, as project of common interest and the H2 backbone was awarded €24 million of grants in the last CEF, Connecting European Facilities round.

CO2 injection has been performing in Ravenna and we are planning some further months of operation, thanks to the very good performance posted. The project is set to become one of the world's largest CO2 storage site as it moves to industrial phase.

On Page 5, let's now focus on 2 key strategic lever of our framework that are sustainability and innovation. When it comes to sustainability, we have a comprehensive approach fully integrated into our business operations. In 2024, we achieved several significant milestones. Let me mention some. We managed to greatly reduce our Scope 1 and 2 emissions and received the UNEP gold standard for the 4th consecutive year.

Second, additionally, our capital expenditures were well aligned with EU taxonomy and sustainable development goals, accounting for 31% and 65% of the total, respectively. Whilst the sustainable finance represents now 84% of the total.



Third, we published our first transition plan and we maintain our leadership in the ESG ratings. We will propose to the next AGM the approval of an employee stock ownership plan for the period 2025-2027, enabling employees to invest in Snam and share long term value generated by the company.

Moving now to innovation, we have a dual track approach focusing on proven and explorative innovation. In 2024, we have invested approximately €100 million in proven innovation as the rollout of the asset control room continues and Snam Tech advanced analytics for predictive maintenance implemented.

Our goal with this investment is to drive operational excellence and sustainability by increasing digitalization, the IoT deployment and leveraging the use of AI. On May, we will present our first innovation plan aimed at addressing the strategic level of transformative innovation, an ambitious moment of reflection on the future evolution of Snam journey over the next decade.

On Page 6, a quick summary. In 2024, we have delivered an adjusted EBITDA in excess of €2.75 billion up 14% year-on-year. The adjusted net income at €1.289 billion is well above the guidance of €1.230 billion provided during the strategic client presentation on January '22, mainly thanks to better than expected contribution of associates and lower financial charges. The investments at €2.9 billion are up 31% versus 2023. This is a touch below the guidance of €3 billion as some investments in the Ravenna breakwater slipped to 2025.

As a result, the tariff RAB reached €23.7 billion. The net debt was €16.2 billion, 2% ahead of the guidance and financial ratio stands significantly below the rating agency's thresholds. It will be proposed a final dividend distribution of €0.1743 per share to the Shareholders Meeting that combined



with the interim dividend distributed in January '25, brings the total dividend for 2024 to €0.2905 per share.

On the regulatory front, 2024 marked the first year of implementing the base ROSS, the regulation by expenditure and service targets for gas transport resulting in a more positive cash conversion ratio. The WACC formula was updated, as you know, for the next 3 years' period, providing future visibility across all regulated businesses.

Then moving to output-based incentives, we have proposed 3 additional ones focused on service quality, asset resilience and sustainability, and we will suggest the extension of the asset health methodology to storage.

Then now on M&A, in December '24, we successfully finalized the increase of our stake in Adriatic LNG to 30%, taking an industrial role in the asset and strengthening our position in the LNG sector, specifically in the Italian territory.

March '25 saw the completion of 2 transactions. First, the acquisition of Edison Storage further solidifying our footprint in the energy storage market, and second, the sale of ADNOC's stake to Lunate for €234 million that will generate a 14.5% internal rate of return. This transaction underscores a strategic approach to our associate portfolio, focusing on key energy corridors, as I said, for Italy and Med.

On finance, in 2024, we have issued our inaugural green bond, hybrid instrument and SLB in sterling. Then global gas demand was up 3% in 2024, driven by Asia, while Italy demand was stable at 62 BCM. Interestingly, European gas demand soared by 10% year-on-year in the period November, February with low wind speed and low hydro availability as key driver, which led to a surge in gas-fired power generation. This confirms our view of the growing relevance of gas and storage in a less predictable power market.



Let me now focus a bit more on gas supply and demand on Page 7. With regard to gas supply and demand, Italian full year 2024 reached around 62 BCM, 0.5 more than 2023, broadly stable versus previous year. This was driven by:

- civil sector, up by around 3% due to a slightly colder weather and to the end of demand containment measures in place at the beginning of 2023.
- thermoelectric sector, down by 1.4% year-on-year, driven by rising hydroelectric production plus 11.6 terawatt hours around 2.16 BCM equivalent and increasing renewable generation, partly counterbalanced by increasing electricity demand and lower utilization of coal and other fossil fuels.
- The industrial sector substantially was in line.

In 2024, around 25% of gas demand was met by LNG despite reduced volumes due to the maintenance period on OLT and Panigaglia terminals. In early 2025, gas demand increased by 8.8%, driven mainly by a 20% rise in the thermoelectric sector due to the lower imports and decreased renewables and a 4% rise in the civil sector due to a slightly colder weather.

Higher demand was met by pipeline and LNG growth, aided by the full operation of the OLT terminal, bringing to 30% of the import the LNG contribution in the first 2 months of 2025.

Now I will hand over to Luca for an overview of the full year results.

LUCA PASSA: Thanks, Stefano and good afternoon, everybody. Let's now move to Slide #8 for a brief overview of the key full year 2024 financial results. Adjusted EBITDA is up 13.9% compared to 2023. Thanks to tariff RAB growth, the impact of WACC uplift, ROSS introduction on transport and Piombino FSRU full year contribution.



Adjusted net income stands at €1.289 billion, well above the guidance, mostly thanks to better-than-expected associates contribution and slightly lower financial charges despite slower decline of interest rates. Total investments are up by 31% compared to the previous year, a touch below our guidance due to a postponement of some investment related to Ravenna breakwater.

Finally, net debt is €16.2 billion lower than our guidance of €16.5 billion due to a slightly lower CAPEX level already commented and the earlier than expected cash-in related to the Adriatic Line project, REpowerEU grant.

Moving to Slide #9, out of the total CAPEX of €2.9 billion for full year 2024, 31% is EU taxonomy aligned and includes:

- With regards to the gas infrastructure, H2 ready replacement, dual fuel compressor station, biomethane plant connection, Ravenna Breakwater and the construction of our new headquarter.
- As for the energy transition businesses, 100% of H2 and CCS, a large part of biomethane depending on the plants setting our standards and energy efficiency excluding cogeneration.

SDG alignment is instead 65%, of which the majority goes towards SDG 7, 9 and 13, respectively, affordable and clean energy, industry innovation and infrastructure and climate action. Specifically, investments related to the FSRU are aligned with SDG 7 as they promote affordable energy and enhance supply security in today's volatile scenario. Almost 50% of CAPEX are development investments underpinning the industrial growth phase of the company.

Let's now look in more detail at the RAB evolution on Slide #10. Our tariff RAB saw a significant increase in 2024, up 5.8% compared to 2023. This growth was mainly driven by CAPEX and inflation impact. In particular:

- Transport RAB benefited from investment related to the Ravenna-Chieti project, which involves Emilia-Romagna market in Abruzzo regions as it



aims to replace gas pipelines in areas affected by ground instability. In addition, investments raised in the Piombino FSRU connection enter into the tariff RAB;

- Storage RAB increased, thanks to the performance of plating and maintenance investments;
- and LNG RAB grew as a result of the Piombino FSRU mooring investments and dry-dock.

As for 2025, we confirm our tariff RAB guidance of €25.8 billion, up 9% versus 2024, including around €500 million related to the Edison Storage acquisition.

Let's now move to full year 2024 EBITDA analysis on Slide #11. EBITDA for the period was €2.753 billion plus 13.9% compared to last year or plus €336 million. The growth is mainly attributable to:

- regulatory items for a total of around €244 million related to WACC increase for around €177 million, and the ROSS effect, especially fast money, on transport for €67 million.
- Regulated revenues increased for around €162 million.
- Piombino FSRU started operation from July 2023 and contributed positively by €51 million.

In detail, the regulated revenues growth was driven by:

- transport and storage revenue increased by around €160 million, of which €120 million on transport and €40 million storage;
- The recovery of 2023 LNG extra revenues for €29 million;
- And higher allow OPEX mainly due to inflation;
- These effects were partially counterbalanced by output-base reduction of around €41 million versus last year, mainly attributable to the storage service that in 2023 benefited from the 2022 short term auctions and booked at the end of 2023, and by the expected phase out of input based incentives.

The increase in gas infrastructure fixed costs, which is €28 million is mainly attributable to the labor costs in large part due to new highs and the labor inflation. Worth mentioning that considering the 2021-2024 period, our fixed



costs have increased less than inflation on a like-for-like basis. The difference in other items includes provisions on gas infrastructure.

With regard to the Energy Transition businesses, the end of the Superbonus incentive on energy efficiency drove its contribution to €12 million, along with the consolidation of 8 megawatt of biomethane plants with just marginally positive contribution combined with the carbonation projects led to a significant slightly positive contribution of €1 million in 2024.

Moving to Page 12. In 2024, our associates contributed to the group net income by €326 million, up 3.5% of which €234 million related to international associates and €92 million to the Italian associates.

In details, TAP inflation adjusted tariff led to a slightly higher contribution compared to the previous year. In 2024, TAP covered 17% of Italian Demand, maintaining its position as the second largest import route via pipeline. The ongoing 1.2 BCM expansion is expected to be operational by 2026.

Terega performance is in line with expectation. The year-on-year growth is due to an updated WACC and higher RAB increase, partially offset by higher OPEX. Worth mentioning that the new corporate tax recently introduced in France do not impact Terega.

SeaCorridor performance is broadly in line with the previous year despite lower imports volumes from Algeria. Thanks to a better product mix, with approximately 21 BCM transported towards Italy it represented the main supply source in 2024.

Desfa lower contribution is due to lower auction premium on LNG imports and exports to Bulgaria, moving back towards historical trends after an extraordinary 2023. Despite this, Greek demand rose by 1.4 BCM to 6 BCM in total in 2024, driven by the coal phase out with an increased power



generation from gas. Greece is advancing in the energy transition with Desfa as part of the H2 and CCS project that were included in the 6th PCI list.

ADNOC performance is in line with expectation. As already commented, consistently with the clusterization presented in our Business Plan, we just closed the disposal of our minority stakes in the company, crystallizing a very compelling internal rate of return.

Interconnector contribution remains in lines with the early regulatory cap. The capacity is almost 50% booked until 2026. EMG performance benefits mostly from positive non-recurring items related to the previous years. The asset is operating above expectation and close to maximum capacity.

Moving to Austria. GCA's performance has been impacted by lower bookings and above all higher revenues recorded in 2023 boosted by the recovery of the previous year's energy costs. Opposite trends for TAG's contribution that increased due to higher volumes from Tarvisio, coupled with short terms, more remunerative bookings, and secondly, lower D&A, due to recalculation of the impairment allocation in the fourth quarter of 2024. The new reference price methodology in Austria embeds volume sterilization from 2025, providing visibility for the period 2025-2027.

Let's now move to net income analysis on Slide #13. Adjusted net income for the period was €1.289 billion, plus 10.4% compared to 2023, due to:

- higher D&A by €79 million following rising investments and €20 million write-down mainly on gas infrastructure.
- Net financial expenses higher by €110 million mainly as a result of higher net cost of debt, which moved from 2% in 2023 to approximately 2.5% in 2024, driven by the increase in interest rates partially counterbalanced by positive income from active cash management and optimization of financial sources. This was mitigated by the increase in capitalized financial



expenses and the proceeds resulting from the time value effect on Superbonus credits.

- A higher contribution from associates, as already commented, which was the result of higher international associates' contribution for €5 million and higher Italian associates for €6 million.
- Higher taxes due to the higher EBIT and tax rate increase from 25% in 2023 to 25.5% in 2024, mainly as a result of the termination of the so-called ACE Italian fiscal benefit.

Reported net income for the period was €1.259 billion. The delta vis-à-vis adjusted is mainly attributable to:

- Biomethane business for €50 million mostly related to charges for a settlement agreement, amending previous agreements.
- Charges related to the Austrian associates for the reimbursement of the 2013-2024 premium to volume risk exposure,

partially counterbalanced by:

- The adjustment related to TAG for €27 million mainly attributable to 2023 lower depreciation.
- Insurance reimbursement related to OLT maintenance for €17 million
- And ADNOC discount rate effect for €8 million.

Despite the sale of our minority stake in ADNOC, whose 2025 full-year contribution was expected to be €25 million, we confirm our 2025 net income guidance of around €1.350 billion. The reconsolidation effect will be offset by several items such as consolidation of Edison Storage earlier than initially expected slightly better default on auto-based incentives, lower than expected net financial expenses.

Turning now to the cash flow on Slide #14. Funds from operations for the period amounted to €2.239 billion and were only partially absorbed by €425 million of working capital. This was mainly driven by:

- regulatory working capital with around €400 million absorption due to the balancing and settlement activity, of which:



- o about €230 million related to an increase in balancing item receivables.
- o Approximately €230 million related to the cash deposit decrease due to gas price reduction versus 2023
- o around positive €120 million related to the full-service receivable decrease
- o and about €60 million negative related to the settlement activity
- and finally about €45 million negative on tariff related items.

Net investment for the period amount to €2.681 billion including around €160 million of Adriatic LNG cash out and around €126 million of Adriatic Line grants prepayment. Other outflows were regular prepayments of dividends for €946 million and the hybrid instrument cash in for €976 million resulting in a change in net debt of about €968 million.

On Slide 15, due to the earlier discussed cash flow changes, net debt increased to €16.2 billion at the end of December 2024. The net cost of debt moved to 2.5%, while the fixed to floating mix stands at 81%, 19%. Sustainable finance reached 84% of committed financing, nearing the 85% target set for 2027. The goal for 2029 is now 90%.

Snam has been honored with the prestigious Sustainable Issuer of the Year award by IFR, a leading global publication in capital markets, a recognition of the company's unwavering dedication to the energy transition and its adoption of innovative sustainable financial instruments.

Funding for the year was completed in September with the issuance of €1 billion of hybrid bond following €2.3 billion of senior bond successfully executed earlier in the year, including €500 million of inaugural green bond, €1 billion of sustainability linked and about €750 million of floating rate notes.

The last month of the year, we have been dedicated to prefunding activities for 2025, with approximately €1.5 billion issued in November in a dual tranche SLB format being €750 million at 7 years and 600 million sterling at 12 years, further enhancing diversification of sources, while being the first



Italian large corporate issuing on MOT, which is the Italian exchange for fixed income instruments.

Finally, in December, €4 billion of sustainability linked revolving credit facility has been signed, replacing existing pool facility of €3.2 billion and €700 million of bilateral RCF lines.

Significant steps forward were made in terms of sustainability disclosure. I'm now on Slide 16. In October 2024, we presented our first transition plan, which outlines in a comprehensive and systematic way the company's objective, actions, and resources aimed at driving the company's efforts towards a low carbon economy system.

As part of our climate strategy, we are strongly committed in reducing Scope 1 and 2 emissions with a target to reduce them by 40% in 2030, 50% in 2032, and achieve carbon neutrality by 2040. Moreover, we are committed to reach net zero across all scopes by 2050. The risk assessment carried out based on long-term energy scenarios providing the most recent outlook on the Italian energy demand corroborates the resilience of the Snam assets and multi-molecule business model.

We also signed the opportunity of the CSRD not as a compliance exercise, but as a chance to further improve our disclosure, internal processes and organization. The consolidated sustainability reporting for the financial year 2024 represents a specific section of the management report and has been prepared in accordance with the Legislative Decree #125 of September 2024 and the European Sustainability Reporting Standards.

The document links relevant sustainability topics emerging from the double materiality analysis to relevant impact, risk, opportunities, including policies, objectives and actions. It comprised information related to the TCFD recommendation and SASB and the Oil and Gas Midstream sector indicators.



Let's now examine the CO₂ emission performance within our regulated target perimeter on Slide #17. Scope 1 and 2 emissions, which includes gas combustions, the compressor station and methane leakage decreased by 16% compared to 2023 and over 28% from the 2022 baseline. These achievements exceeded our expectations and we have already surpassed 2025 target.

This was mainly driven by the methane emission reduction, down 16% from last year and 62% from the 2015 UNEP commitments and dispatching optimization. Additional unpredictable and not fully repeatable factors like reduced use of the energy intensive North African backbone also contributed.

Scope 3 emissions fell by 10% compared to 2023, and 15% from the 2022 baseline due to lower emission intensity in the supply chain and reduced emission from subsidiaries. We will continue our efforts to reduce emissions as outlined in our transition plan.

And I'm now moving to Slide #18 on 2025 guidance, based on a solid set of 2024 results, we confirm the guidance provided in Strategic Plan presentation on the 22nd of January. In 2025, CAPEX will reach €2.9 billion mainly driven by gas infrastructure investment, which include, among others, the Adriatic Line, the Ravenna breakwater and biomethane connections.

We expect EBITDA of around €2.850 billion mainly driven by RAB growth and the Ravenna FSRU and Edison Storage sites entering into the perimeter, partially counterbalanced by the WACC decline. In terms of net income, we expect around €1.350 billion despite the sale of our state in ADNOC, driven by EBITDA performance, higher contribution from associates partially counterbalanced by higher D&A.



While on net debt, we have updated our guidance to €18.4 billion down from €18.6 billion including also Edison Storage cash out and the ADNOC cash in with a stable net cost of debt of 2.5%. The dividend policy envisions 4% dividend annual growth with a maximum 80% payout.

And now let me hand over to Stefano for the closing remarks.

STEFANO VENIER: Thank you, Luca. My closing remarks will be very short. I think in conclusion, this 2024 has been another year of growth and over performance versus the guidance we released. Since the onset of the energy crisis in 2022, we have successfully managed the emergency by leveraging our assets and capabilities while paving the way for a more resilient energy system. At the same time, we have achieved significant progress on the delivery of our strategy to build a multi-molecule infrastructure, and define a very clear future strategic priorities to pursue.

Our strategic framework has evolved over time with the 2 business levers, gas infrastructure and energy transition, becoming increasingly interconnected and meshed. Furthermore, we are promoting a pan-European multi-molecule vision across our portfolio of associates that makes Snam as the most important and the leader in Europe, not only because of the Italian assets, but also for the European presence we have.

We're enjoying strong visibility over future growth and we can leverage on sound financial flexibility. This enables us to offer growing and sustainable shareholder return. So, then thank you very much for your attention. And as a reminder, we will present the first quarter 2025 results very soon, on the 08th of May.

Now, we are available to take your questions. Thank you very much.

Q&A



OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Sarah Lester, Morgan Stanley. Please go ahead.

SARAH LESTER: Thank you very much. I just have one question, please. And it's a high level strategic question. As you talked a bit about in the presentation, we're seeing climate policy uncertainty and potential watering down of climate commitments around the world. And this has escalated since your January update. So I'm interested whether you see this as presenting upside risk for gas networks and potential upside risk to the longer term gas network CAPEX program for Snam? Thank you.

LUCA PASSA: Hi, Sarah. I mean, regarding the evolution around climate commitments, clearly we cannot comment on others in terms of actions as well as what is the stance of regulators, both, I would say, this side of the pond and I would say the other side of the Atlantic. What I can comment is clearly that as you saw also in this presentation, our commitment is there, long standing, and also I would say, it's plain up until 2050. Therefore, for us, it's a commitment in reducing emission across our scope up until reaching basically net zero by 2050.

Now in terms of potential increase of investments given a different approach from either countries or regulators, clearly, we will assess what is the stands. We do not expect in the area where we operate, which is Europe, being a pan-European operators, to have, let me say, radical changes vis-à-vis the trajectory which the European Commission, European Union has taken in the past. Therefore, for us, it's an opportunity clearly to continue investing



in infrastructure, which will transport more and more, I would say, green molecules in the next, I would say, few decades.

OPERATOR: The next question is from Alberto de Antonio, Exane BNP Paribas. Please go ahead.

ALBERTO DE ANTONIO: Hi, good afternoon and thank you so much for taking my questions. I have 2 questions. The first one is on regulation. Maybe if you can update, how do you see the situation regarding ROSS-Integrale regulation that, I guess, that the consultation paper should be published anytime soon. What do you expect if you have a timeline and what are the conversations with the regulator? And also, if you have any further visibility regarding a potential change in the deflator? Thank you so much.

STEFANO VENIER: I don't know if I have much information to provide you with respect to these 2 points. Let me start from the deflator. As you know, the process has ended and now the authority has to take its own final decision. So we are all waiting to see what will be the final decision. As I said, I can reconfirm that the expectation is toward the shift from deflator to the European inflation index and that's what we might expect just because there are strong fundamentals that support this type of swing, but we don't have right now any further indication about the time when the authority will release this decision. We hope it's going to be soon.

With respect to ROSS-Integrale, again, we are expecting this first consulting document coming out in the next weeks or eventually a couple of months. It will be a more comprehensive document. We are waiting to see on how to, let's say, some of the issues will be addressed within this new document, this new version that takes also as, let's say, a conclusion of the first year of application of the partial ROSS.

ALBERTO DE ANTONIO: Thank you so much.



OPERATOR: The next question is from Bartek Kubczki with Bernstein. Please go ahead.

BARTEK KUBCZKI: Hello. Good afternoon. Thank you for the presentation. 3 maybe issues I would like to discuss and ask. Firstly, you mentioned about the storage incentive asset health related incentives on the storage assets. I just wonder if this is something new and it's already in your Business Plan. And how shall we think about this in terms of like size? Shall we look at this in the same way as we look at the incentives on the transport asset? And consequently, would it also lead to lower CAPEX in the future because you will try to optimize the way how you are running the assets right now?

Secondly, on the ADNOC transaction, if we look at the sort of implied PE multiple on this, it's below 10 times. I just wonder how would you defend this multiple and how shall we put this 10 times PE in the context of your associates portfolio?

And maybe the last one, if we look at this 10 year development plan Terna published last week, we are talking about 40 gigawatts of data center connection requests in Italy. So just thinking, if there is indeed more data centers coming, if there is some kind of electricity consumption increase, which will require more power production, especially for from reliable sources. How do you think the gas assets in Italy will perform? I'm talking about, a) of course, gas fired power generation assets; and b) consequently, what will be the impact on your gas network assets as well? Thank you very much.

STEFANO VENIER: I'll take the first and the third and then I leave the second to Luca. The first one is on storage and the asset health. We haven't included the, let's say, the effects of the possible introduction of the asset health methodology to the storage simply because it sounds as you know, there is a consulting document out from the authority and we will put this proposal in this consulting document. So the process just started, but I think it's important because what we deem is the fact that this methodology worked very well



for the transportation and for some of the investments we need to do on the storage, it can work very well as well also in terms of return. Of course, this will be proportional to the asset base and the RAB related to the storage and the amount of CAPEX we have for the substitution of some parts of those storage facilities. So, the discussion is ready to start is just a proposal we are going to make. Therefore given the uncertainty about the timing and the scope we haven't included in the Business Plan we just presented to the market end of January.

With respect to the turn-up plan and the estimates about the demand of reliable energy for due to the data centers, I think we only have 2 reliable sources. One is gas and the other one is nuclear. Whilst nuclear is in the planning of the energy policy of the country, I think in the meantime, the sole reliable is gas combined cycle gas turbines.

What is the implication on the transportation? I think will make the assets more needed for transportation. And I would say also more needed the storage capacity, because as we have seen with rising demand and the higher penetration of renewables, the instability of the energy system becomes much, much more important than the sole solution we have for offsetting this volatility and maintaining the electricity system stable is to use the thermal generation via gas. But this is something that you cannot schedule. So you need from one day to the other. And if you can't rely on a very, let's say, sizable storage system, you can't have that gas available for the combined cycle gas turbine. That is the story we have seen in Germany and partly we have seen in Italy in February when the use of storages increased by 22% year-on-year because of the larger use of thermal generation.

So I think the flexibility that gas pipelines and storage facility provides combined with the thermal...the gas turbines will make a difference to fulfill this additional demand. But I don't know frankly what is the source of the



estimates of Terna, but if the number is correct, I think it could be only a benefit for us.

LUCA PASSA: And Bartek as for the ADNOC disposal... basically, we...let me say, reason more in terms of what is the return for the investment. As you know, we entered this investment in 2021. We managed to recover you know, most of our amount through dividends in terms of investment. So, the option for us was either remaining invested with an internal rate of return of around 12.5% or selling to an external shareholder, although is a local player is the fund [indiscernible]...basically making 200 basis points of increased IRR. And clearly, given that it's not a strategic portion for us, that is basically the decision that we made.

Let me also add that clearly, the cash flows of ADNOC are guaranteed for 20 years from 2021. Hence, we will be approaching, let me say, the end of the maturity in the coming years, therefore, we structured most of the value. Let me also add that we made a capital gain that was in excess of €120 million. Therefore, I think for us, it was the right basically option to choose.

BARTEK KUBCZKI: Thank you very much.

OPERATOR: The next question is from Marcin Wojtal of Bank of America. Please go ahead.

MARCIN WOJTAL: Thank you so much for taking my questions. I've got 2. So, firstly given the recent increase in interest rates, could you perhaps indicate where do you see your WACC for 2026 based on a mark-to-market if you could perhaps provide some indication?

And my second question relates to Slide #13. It is mentioned that there were some write-downs on gas infrastructure. Could you just confirm to what extent that was material and what is the reason for these write-downs? Thank you.



LUCA PASSA: Okay. For the mark-to-market that we run on a weekly basis, as you can imagine, with interest rate volatility is basically now approaching 10 basis points lower than the current WACC. Therefore, very far from the trigger. Clearly, we are monitoring these variables throughout the year, but we do not expect clearly the WACC to be triggered because we're going in the opposite direction, actually closing the gap to the current 5.5 on transport in terms of WACC. Because interest rates have moved, but also the country's premium has slightly moved, therefore, in the right direction in the sense of confirming the existing WACC.

Then when it comes to Slide 13, the write-down as I mentioned was for €20 million. Those are related to projects, which started that from an ECB perspective were not deemed to be finalized, and therefore, we decided to basically end this project taking basically the hit this year. In terms of evolution of write-down, we do not expect to have further write-down in the coming years.

MARCIN WOJTAL: Thank you very much.

OPERATOR: The next question is from Javier Suarez, Mediobanca. Please go ahead.

JAVIER SUAREZ: Hi, everyone. Thank you for the presentations. 2 questions remaining. The first one is high profile, on your latest view on gas demand evolution in 2025. And also your view on the current level of gas storage at 46% as we speak and how that compares with historical average? So, this high-profile indication on demand and level of storage could be appreciated?

And then on the disposal of ADNOC. The company has maintained EPS guidance, if you can elaborate more on the offsetting factors that you are considering. I'm particularly interested on your expectations for output-based incentives in 2025. And if there is also consideration of lower financial expenses, apart from obviously the cash in from the disposal? Thank you.



STEFANO VENIER: With respect to the projections of gas demand for 2025, of course, as you have seen in our chart, in the first 2 months, we have this 8% increase. I think we're going to see, let's say, a growth also in March, probably with respect to the 62 billion cubic meter we had, we posted in 2024 we will end up couple of BCM more than last year to 3 with respect. And if we consider the storage situation, of course, there is an additional withdraw on the storage reservoir during the winter because of colder winter, but specifically from more demand for thermal generation.

And as far as Italy, as you know, we are 10% more than the rest of Europe. We are hovering around 45% as of today. And what we do expect is to have at the end of the month when the winter season ends, a total amount of gas in the storage is around 3 BCM on top of the 4.6% that is the storage...the strategic storage capacity. So, globally 7.6, 7.7. That means that with respect to last year, for instance, we will have to, let's say, fulfil the storages by a bit less than 3 BCM more than last year, globally around 10 BCM during the summer. This is the target to fulfil also the 90% fulfilment that is recommended by the EU.

These are basically the numbers we have to deal with in the next summer. Of course, for that, let's say, additional volumes, we can count on the full operation of the OLT, as we said, because this facility is back on stream. This start-up with some contribution from Ravenna. And also, let's say, the right balancing in the different flows from pipelines.

LUCA PASSA: As for the measures in order to offset loss of income around ADNOC first, we have a quarter still of ADNOC basically in 2025, which is in the range between €5 million and €7 million. Therefore, the 3 levels that I mentioned to recover the rest are clearly the consolidation of [indiscernible] one month earlier than expected. We closed the transaction the 3rd of March for...therefore, higher consolidation for €5 million. We expect better default output based: in the guidance, we have €85 million of output base for 2025, of



which the default part is only 7. Here, as you might recall, in 2024, we've done almost 20%. Therefore, we think we can have a better performance on the follow-up base.

And then when it comes to lower-than-expected net financial expenses, besides the cash in, therefore, lower debt around the period. Clearly, we are working in order to basically reduce our net average cost of debt for the full year, which is expected to be 2.5. And given the amount and the volume that we are expecting for this year, a marginal improvement recovers basically the rest.

STEFANO VENIER: Javier, I have also one information you asked me to answer that what was the average storage fulfillment in the last 5 years in Europe? It hovered in between 40% to 60%.

JAVIER SUAREZ: Interesting, many thanks.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. Ms. Pezzoli, gentlemen, there are no more questions registered at this time. I'll turn the conference back to you for any closing remarks.

FRANCESCA PEZZOLI: So, then thank you very much to everyone for attending this conference call, and good evening.