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## 2019-2023 Strategic Plan - Conference call

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MODERATORS: MARCO ALVERÀ, CHIEF EXECUTIVE OFFICER  
ALESSANDRA PASINI, CHIEF FINANCIAL OFFICER

MARCO ALVERÀ: Ladies and gentlemen, good morning and welcome to Snam's 2019-2023 Strategy Presentation. Thank you to all of those who've joined us here at our Milan headquarters, and to those who are following us remotely.

In 2019, for the twelfth year in a row, Snam completed our CAPEX plan on time and on budget. Over the last 4 years, we've consistently delivered on our strategy; we've grown our asset base delivering almost 900 kilometers of new pipelines. We required regulated businesses in Italy, Austria and Greece and substantially de-risked the on time completion of the TAP project.

Our efficiency plan has contributed to an overall reduction in core business costs of almost 9% since 2016. As the energy transition becomes more crucial, we are increasing our role and exposure, and have insourced distinctive competencies and technologies that have allowed us to launch 3 new businesses where we are making good progress.

Meanwhile, we have reduced the cost of financing by 40% and increased our cash return to shareholders. We are also executing our Strategic Plan; the outlook for gas infrastructure has improved markedly. Global gas consumption has grown by 9% over the last 2 years, driven by environmental objectives and ample gas availability. Meanwhile, prospects for the development of green and low carbon gas have improved, highlighting the long-term value of gas assets to reach decarbonization targets.

The combination of our performance and delivery of the strategy in the more favorable markets gives us great confidence in the future prospects of Snam. Our delivery since 2016 has consistently produced superior results. Our asset base has grown by over 7.5% with inflation lower than 1% per year.



On top of this, we have cut costs; our efficiency plan will deliver about €50 million of savings by 2019, 2 years ahead of schedule.

Net income is expected to increase 28%, considering we now forecast 2019 results to be at the higher end of our previous range for guidance. Thanks to the buyback program and the 106 million shares cancels, EPS grew by 32%. The growth in EPS has enabled us to increase our DPS policy to 5% annual growth to 2022, at the same time reducing our payout from above 90% to below 75%.

We are fully committed to ESG in everything we do; and have been the first listed company to create a dedicated ESG Board Committee. Tackling methane leakage is one of the defining issues of the gas industry. On this front, we've launched a leak detection and remediation campaign which involved a 130,000 on field measurements. Starting from a 2016 base of 48 billion cubic meters, which is less than 0.07% of transported gas, our program will enable us to reduce CH<sub>4</sub> emissions by over 15% this year and raise our ambition going forward.

The Snam Foundation is continuing to invest on strategic projects for the benefit of the communities in which we work. We've enshrined gender policy in our company bylaws, and we are also one of the 4 companies worldwide to be part of the Global Forum of Transparency International and we actively support the OECB on spreading the values and integrity and transparency. We continue to invest in the training and wellbeing of our colleagues and run the business with a deep sense of purpose and belonging. We are very proud that Snam has been included in the prestigious Forbes List of 150 Best Companies to work for in the world, and we are second in Italy behind Ferrari. This attention to long term sustainability positions us strongly with all stakeholders and of course is also supportive of a reduction in our overall cost of capital attracting both equity and debt ESG focused investors.



Let's now look at the key findings of our global gas reports which is available in the room today as well as on our website. Global gas demand rose by around 5% last year, that's over 3 times the long-term historical trend. This was driven by fast growing LNG supply that have lowered costs globally, and also by China's continuing positive efforts on air quality. This growth trend is expected to carry on for some time and planned significant new infrastructure requirements.

Upstream costs for 70% of global proven reserves are now below 3 million \$3 per million Mbtu. And the ample LNG capacity that is set to come on stream will support affordability and be a main driver of cheap gas, particularly in the summer. This fall in the price of gas you can see on the right part of the chart has either closed or is closing the gap with coal fired power generation. We are already in switching territory in Europe where there is stronger CO2 costs while even for emerging countries who unfortunately are continuing to build new coal plants now the cost of switching to gas is falling rapidly.

Gas in Italy is also performing way above expectations with volumes increased 12% since 2015, determining over the same period given revenues have been basically flat at 10% reduction in the average cost of transport for consumers in Italy, which is contributing to making gas even more competitive.

Looking more closely at 2019, we are expecting an overall increase of around 4.5% year-on-year. This is driven by 12% increase in the power sector alone where dry conditions mean less hydro power and maintenance abroad means less imports and generation from gas has increased over coal. You can see on the righthand part of the chart, there has been a very meaningful inversion in the historical gas premium over coal when you factor in CO2 and this is for Italy. And this trend is set to gain even more pace as the official deadline for the coal phaseout of 2025 nears and we see



increasing appetite for new connections to our pipe to build gas plants in Italy.

Looking ahead, we need a 10-fold increase in our efforts to de-carbonize Europe. The current pathway as we know is not going to get us to where we need to be, so we need to move from 0.8 reduction per year to around 8.5 reduction per year. The true challenge of this steep increase in de-carbonization is how to decarbonize the 40% of consumption which is very difficult or incredibly expensive to electrify. This is represented in the green blocks of the chart, for example, high pressure processes in industry, very heavy transports or heating in cold weathers in the winter.

Finally, industrial strategies and government policies are aligning around the idea that green gases will play an essential role. In fact, France has reached its stated 10% renewable gas targets for the country. Snam and other TSOs are now promoting a target for a hydrogen blend of up to 10% by 2030 which could rise to 20% afterwards. And we are waiting for Germany to publish its ambitious hydrogen strategy in a few weeks time. CCS also is finally back on the agenda with Germany...with Norway leading the way on the implementation in some ongoing projects with the UK as well. On the financing side, you will have seen that the EIB has recently stated that it will continue to support the growth of low carbon gas also through investment and arbitration [ph] of the existing natural gas infrastructure.

The growing role of green hydrogen that we focused on recently in a global event in Rome is strongly supported by the steep fall in hydrogen costs. Costs have already come down by over €500 per megawatt hour to a €110 today and this as you can see in the bottom part of the chart is largely due to the very steep fall in solar and wind costs that we have all seen. The trend will continue, and next stage of the trend will be accelerated by what we believe will be fall in the cost of the CAPEX for Electrolysers. The good news here is that there is a lot of room to drive this lowering of the costs. This still is a very small niche market and a lot of these equipments are still essentially



handmade and so there is a lot of room for industrialization and mass production and lowering of costs. So overall, the cost trajectory for green hydrogen suggests that it could already become competitive with grey hydrogen and some fossil fuels in applications such as long distance heavy transport and some industrial applications already before 2030.

The central role of gas in the energy transition is recognized by the Italian Regulator here and underpins the stability and visibility of our framework. Over the last 12 months, for instance, we've seen the worsening spreads that has been fairly reflected in our WACC formula, as well as an extension of the regulatory period for storage to 6 years. Meanwhile, we're having constructive conversations with the regulator on system requirements to maintain the health of the asset over the long term. This has to do with the replacements, and also the most effective way of delivering these replacements both for Snam and for the system overall.

We're also working on appropriate performance incentives to improve the way the market works and continue to provide better quality services to the shippers and to the market participants. On both of these important issue definitions, discussions are on-track and we expect to have a definition in the course of 2020.

With regards to the energy transition, we're very pleased with the work that we've done jointly with Terna,, this is something that the regulator has promoted and asked for. And as you can see, in the three scenarios, which is business as usual, a centralized scenario and a decentralized scenario, we essentially have a flat consumption for gas in Italy, as seen and agreed between us and Terna until 2040, and we have a very big and increasing role for renewable green gases in CCS, which you see here can reach 26, exceed 26 bcm by 2040.

So, a strong delivery, coupled with a favorable market environment underpins our Strategic Plan to 2023 in which essentially with increased the



CAPEX to €6.5 billion, up from €5.7 billion in the previous Plan, increase is mainly driven by €400 million of additional investment in replacements that are required to offset the aging of the network, €300 million of additional investments to install the electric compressors that we will put a long side our current gas compressor stations to go...do a fuel and investments also to digitalize network. And we also include in the transport CAPEX €140 million of connections to our grids for new biomethane plants and CNG stations and this is up from €90 million that we were expecting last year.

In this Plan, we've doubled our investments in the energy transition to €400 million. These are not part of our RAB. But we've built business models that have essentially a similar risk profile to the RAB that generates higher returns to those we get on the RAB.

Looking at our key regulated projects, a few things I would like to highlight the 55 kilometers interconnection between TAP and Rome network in [indiscernible] that is progressing well and is on-track. The Sardinia network, which is confirmed in our Plan, and is quantified in amount of €400 million of CAPEX in the plan period. And as I mentioned, the dual fuel compressor project, which has 3 main advantages for your system, not only it reduces CO2 emissions from the combustion of the fuel gas that we use, it increases the efficiency of the compression itself lowering the energy costs, but also provides flexibility to the overall system. And it provides flexibility to the electric system too, because we will then be able to run both machines and arbitrage between the 2 markets not only to save costs, but also to help the electricity network become more resilient and balanced and stable in light of unexpected continuing increase of renewable energy.

As I mentioned, we're also planning to replace about 1,000 kilometers of transport pipelines. About half of that land is already either authorized or already under construction. The way we determine what to replace and the replacement priorities is basically on a statistical analysis of what we call our asset health. So, this includes looking at the characteristic of the asset itself,



the terrain in which the assets lays, the operational conditions and that's the top priority. After that, we look at service continuity, and then we look at operational resilience, including also environmental and societal priorities that may have to do with different urban developments now compared to when we build some of these pipelines 50 years ago. So, there's a model in place that we used to prioritize very significant replacements that we will need to do in the coming decades.

The investment opportunities we've outlined enable us to confirm a growth in RAB of 2.5% per year out to 2023, in line with what was our previous Plan; despite the fact that we now are using a lower deflator 0.8 as opposed to 1.1 in the previous Plan.

Looking further ahead, we confirm our long-term outlook of 1% real growth per year all the way to 2030. And we have visibility over the long-term CAPEX requirements mainly because of what I said regarding the replacement needs. The 1,000 kilometers that we will add that we will replace over the next 4 years will be offset almost entirely by an additional 1,000 kilometers aging during the same period. So, we will finish in 2023 with 9,000 kilometers still fully amortized, which is similar to what we have today.

The share of our CAPEX, which is dedicated to what we call Snamtec, which is our program that brings together all our investments in technology, in the energy transition and in energy efficiency. Snamtec has risen from €850 million to €1.4 billion. Of the €1.41 billion is regulated, this includes investments in energy efficiency, and innovation of our own assets. For example, in Leak Detection and Repair campaigns, we have investments in technology. A part of our effort is to continue to implement and install sensors that are becoming much cheaper than they were before, scattered all around our infrastructure and use these sensors to collect data that we then aim to interpret and aggregate.



We overall plan to have 85% of the grid remotely controlled by 2023, and essentially have 100% of all our critical assets remotely controlled as well. The data that we will be able to aggregate will run through some AI programs that we are developing and this will not only help basically optimize our maintenance and be more predictive in the requirements of maintenance, but will actually also help support our decision making on a day-to-day basis and give us a much more rapid response in case there are issues that require for intervention.

We are also launching a pilot project to use Blockchain technology to support trading on the PSV. As you know, we are responsible for a lot of them, I would call back-office activities that are happening that are currently generating a lot of paperwork, so as we go to Blockchain that will make the process a lot leaner also for the shippers and a lot cheaper for the market participants. This will significantly lower transaction costs.

The €400 million investments in the new businesses is also part of what we call Snamtec, and that has to do with the energy transition. So, taking together our projects on the sustainability of our operations, we will deliver a 40% reduction in overall emissions. This is starting from 2016 base of around 1.5 million tons of CO<sub>2</sub> equivalent Scope 1 and Scope 2 emissions. Of this number, about half is proper CO<sub>2</sub> emissions and the other half is the CO<sub>2</sub> equivalent of the methane emissions. For those who are interested, we apply a factor of 28 to compare CH<sub>4</sub> emissions to CO<sub>2</sub> emissions, which we believe is the industry standard. About 90% of the overall reduction comes from our dual fuel compressor station project. And these numbers, of course, are based on our own assumptions of the network flows and utilization, and the new methane leakage target that we've given to 2025. The remainder of the reduction is a consequence of the increase in the renewable energy that we will use in our system, the efficiency that we apply to building and the additional progress on methane emissions that we expect to continue beyond this 2025 target of also reducing them by 40%.



Turning now to our new energy transition businesses, these are aimed at promoting but also at enhancing Snam's exposure to these very businesses on the one hand we want to help to grow them and on the other hand we want to have an exposure to them. The gas-powered mobility through CNG and LNG replacing diesel and petrol is a secular trend that we will see globally; this is driven by the very big arbitrage of this today globally between gas prices and petrol and diesel prices at the wholesale level. Gas today costs about a third of gas oil on equivalent energy basis and it also reduces emissions by 40% and essentially eliminates the particulate that clogs up our cities.

Promoting this new valuable road for gas and the biomethane to fully decarbonize gives us exposure to a sector with growth prospects, which needs immediate capital deployment to reach long-term objectives and where our skills can really make a difference. At the same time, as we promote the sector, we're also adding value to our network.

Here we're working closely with national and European institutions to ensure that this activity is carried out in full accordance with the relevant regulatory and legislative frameworks. We've developed business models, which target high-single, low double-digit returns for these businesses, given that they're either backed by long-term contracts or incentives or...and they overall have a risk profile, as I mentioned, that's similar to that of our regulated businesses with zero or very limited commodity exposure.

The potential in both biomethane and CNG is clearly there. Following the decision by the Italian government to incentivize 1.1 bcm of biomethane for mobility and the long-term potential for up to 12 bcm by 2040, as identified by Snam-Terna joint scenario, there is now growing and significant interest in this business. The urban organic waste business model is taking off quite quickly. And the agricultural one is also beginning to grow but will require more efforts to organize and streamline supply chain. The mobility sector in CNG is also moving rapidly. We are pleased to note that there have been



over 100,000 new CNG car registrations in the last couple of years, supporting the role of natural gas as a sustainable mobility fuel. Over the same period, and we believe that's helped propel this growth, there have been 200 new stations built of which more than 150 are directly connected to our network.

In this market environment, our biomethane and CNG businesses are progressing well. In biomethane, we see our role as a key market-enabler to develop markets, so it can reach its long-term potential. Our strategy is built here on 2 platforms, Renerwaste and Iniziativa Biometano. One is for urban waste and one is for agricultural products. We've recently acquired these businesses and we will grow them and invest in them also leveraging our EPC capabilities that we had acquired through our subsidiary IES Biogas. Overall here, our goal is to build 40 megawatts of capacity; of this 19 are already fully authorized. On this business, we target a double-digit return benefiting from the incentivized green gas production, as you know, this incentive applies to the mobility sector.

Looking at CNG, we've built 6 CNG and 2 LCNG, which are joint LNG and CNG stations and we expect to build a further 150 over the plan period with investments of around €50 million. Our business model here consist in building, leasing and operating the infrastructure and the filling station being remunerated through long-term contracts with creditworthy partners, these contracts provide a floor and we then have based on the type of contract where we have some upsides linked to the volume, if they go over a certain predetermined amount.

The other leg of our gas for mobility strategy is based on LNG where demand is growing quite rapidly. We are planning to build and operate 2 liquefaction... micro-liquefaction plants that will be directly connected to our grid. We believe that this provides LNG in parts of the country at a cheaper cost than LNG that otherwise would have to be imported from some of the



other European re-gasification terminals. And we think that by making these investments, we will also help boost this new source of gas consumption.

At the same time as we build these micro-liquefactors, we can also leverage our enhanced exposure to Italian re-gasification capacity. As I mentioned, we've bought a stake in [indiscernible] together with Panigaglia can contribute to provide additional volumes of LNG for transport. Overall, in this business, we expect to invest around €50 million, which is in line with last year's Plan.

Energy efficiency is a fast-growing market for us. It's facilitated and backed by a generous fiscal incentive, which in Italy is called ecobonus; this is done to support all the energy efficiency investments. 2 years ago, we acquired TEP, TEP offers buildings and ability, not only with the carbon assessments...carbon footprint assessments, but it allows and facilitates the deeper renovation of buildings to make them more energy efficient.

Our competitive edge in the sector compared to some of the subscale smaller players, which operate in the market is that we can essentially make the upfront CAPEX investments for the renovation and then we can offset that with our tax credit for 5 or 10 years, so we can we can get involved and substitute essentially the tenants in the building and take it all on our balance sheet, which allows for a much faster and meaner decision process and a much more attractive proposition to the tenants of the building.

We have already signed contracts worth €60 million of revenues and we have a very interesting growing pipeline. And we are open to potential partnership with third-party investors in this business. Overall, revenues in 2019 are expected already to be €20 million and will continue to grow, here we target a high single-digit return.

Turning now to hydrogen, as many of you know, we're strong believers in the prospects of hydrogen workshops at our event in Rome, which some of



you have attended, and confirmed to us talking directly to some of the manufacturers of electrolyzers were present that the potential for cost reduction is steep and it is quite quick. We've also gathered and heard very explicit support and interest from many institutions and key policy makers from Europe and from further beyond.

In Snam, we're really addressing the hydrogen opportunity working on 3 sectors. The first is to make sure that our assets are ready or hydrogen-ready, which for us means essentially accommodating the higher blends. You know that we start experimenting with a 5% blend, that's now moving to 10% in the pipeline. We're now studying a 5% to 10% percent mix in our compressors as well. We're looking in the markets scouting for technologies and machines that can reach even higher percentages. The big outstanding question in our asset portfolio remains around storage. And the question here is how hydrogen interacts with some of the bacteria that are present in the reservoir, below the ground and we're doing work on that, working in partnership with other companies as well and continuing to promote ongoing studies.

We're very excited about the opportunity in membranes. These are instruments that can be inserted in the pipeline and can use the relative difference in size of the molecules of H<sub>2</sub> versus CH<sub>4</sub> to essentially filter out the methane from the hydrogen and vice versa and essentially allows to blend in the network that we know can take big percentages of blend and then separate it, if we need...customers who may want either pure hydrogen or pure CH<sub>4</sub> methane or a mix of the 2, so it really adds flexibility to the system. That's the first part.

The second leg of our work is around the system design. This is about understanding how the transition will actually work; the overall potential, the costs, what different countries are doing, benchmarking some of the studies that you've seen, and essentially what type of infrastructure is required for the market to really take-off. And here, we also work, coordinating other



industry participants and working proactively with policymakers in many countries.

The third leg is to position Snam to begin developing real hydrogen projects, these can be pilots, these can be partnerships, these can be, I would call it venture capital type opportunities to invest in leading technologies like essentially we have done for biomethane, where we see the insourcing and investing in a technology has been an enabler of becoming a market participant. We have organized ourselves with a business units dedicated to hydrogen and we built a team in Snam that essentially it focuses just on hydrogen.

Turning now to our international businesses. These have been an outstanding investments for Snam. They have consistently performed above the Business Plans that have been used for the acquisitions of these businesses. They've generated a total cash return above 10% a year on average, and we expect to continue to make strong return on these businesses targeting over 10% across the plan period. Also, thanks to the value-added that Snam can bring to these businesses not only operationally but now for instance the Teréga has been diversified from a regulatory point of view, we can think about refinancing and we can bring value-added also on the balance sheet management side of things.

By the end of the plan, we will have essentially recovered the acquisition costs for most of the portfolio excluding TAP and DESFA who are more recent acquisitions. Looking at net income, we confirm the target we gave last year of €160 million in 2022. In 2023, we will see the expiry of some of the long-term contracts in TAP and this may lead to some headwinds in that year on the bottom-line. Flows are expected to remain strong on TAP, and we will look for ways to mitigate the headwinds resulting from the contract expiry.



I will now hand over to Alessandra for a closer look at our efficiency program and the balance sheet.

ALESSANDRA PASINI: Thank you, Marco. Our efficiency plan has delivered above expectations both in speed and scope as core cost in 2019, are expected to be already €26 million lower than in 2016 [ph]. And continues to represent an important source of value creation. We target overall, saving of above €65 million by 2023 in our core business compared to 2016, up from our initial target of €25 million when this plan was launched.

As you can see, there are a few examples in the slide over the life of the plan of how we have reached and enhanced our overall efficiency plan. New technologies have been a source of saving. We've invested in new IT infrastructure that requires less maintenance...and in satellites patrolling of our network that will allow to more efficiently monitor it. Thanks to the expected savings of €50 million year...by year-end...€50 million accumulated by year-end and the further €15 million plus to come, costs in our core business before pass-through and one-offs will be lower in real terms in 2023 compared to 2016, even accounting for labor costs inflation and new regulated activities.

Looking at our balance sheets, focus remains on de-risking, our Business Plan and improving the solidity of our capital structure. Over the past 3 years we focus on taking advantage of the benign market environment to accelerate the reduction of costs of debt, also via 3 liability management exercises. Carrying out pre-funding exercising to lock-in current favorable market conditions, as specified by the early September €1.1 billion pre-funding of 2020 maturities, extending the tenure of our banking facilities by reducing costs at the same time and pursuing a very attractive funding condition coupled with extremely long channel, thanks to institutional lenders support as demonstrated by the further €300 million new funding obtained by ELB in 2019.



Moreover, in the context of Snam growing attention to sustainability, we decided to seek sustainable financing both from banks and their capital markets, aligning our funding with our strategy while diversifying our investor base. Cost of debt is expected at circa 1.4% over the plan horizon below last year assumption of 1.8%. Thanks to the actions already implemented to lock-in favorable market conditions, and of course the improved market scenario in both interest rates and credit spreads. This does not include the potential upside linked to treasure optimization actions, such as those executed over the last few years.

Moreover, we believe that our financing needs could offer opportunities for some further funding cost saving. Thanks to further treasury optimization, we recorded through uncommitted credit lines and commercial papers, the last reaching €2 billion at the end of September 2019, opportunistic approaching maturity profile management. Further diversification of investors thanks to our sustainable financing and normalization of country's premium supporting the natural bond rollover.

Snam solid credit quality is confirmed by the strong oversubscription of our September dual size bond. And by credit spreads trading well below that on the sovereign. In this regard, [indiscernible] that the net debt drop will remain well below 60% corresponding to the Moody Baa1 rating, which continues to remain our reference. We expect the net debt to ratio essentially unchanged compared to today. This excludes the rating agencies adjustment connected to the project finance related to construction guarantee on TAP that is expected to be released over the plan horizon.

Our capital structure leaves us some headroom in terms of leverage, which give us flexibility for potential additional investments, not included currently in the plan. We will continue to apply our strict financial criteria when evaluating any opportunity. As a reminder, we will only invest at or above the risk adjusted return available on regulated organic CAPEX and we are committed to our current credit rating metrics and risk profile.



Furthermore, we assess opportunities based on whether the enhanced value are existing asset and infrastructure allowing Snam to play an industrial role or support additional growth or strategic optionality. On the back of these criteria, we have already invested or earmarked around €4 billion in organic CAPEX, energy transition investment, both acquisition or additional cash returns to shareholder to increase data policy and buyback.

Going forward, we will look carefully at investment opportunities which have a strategical hearing with assets we already own in Europe, or that provide entry points into new gas markets with a view of generating further potential opportunity. Focusing on shareholder returns where we started our buyback program, we have commissioned the first €150 million funds and at a total of €500 million authorized by our AGM.

I will now hand back to Marco for a look at our improved targets.

**MARCO ALVERÀ:** Thank you, Alessandra. The strategy we've outlined today delivers an enhanced earnings profile and superior shareholder returns over the time period. The tariff RAB will grow by an average 2.5% a year confirming the previous plan trajectory despite the lower inflation. The RAB growth will support the revenues, which also benefits from the contribution of additional non-RAB based outputs incentives expected in 2020 and the new businesses. This coupled with the focus on the cost containment and efficiency that Ale talked about, will drive EBITDA growth of over 3% per year.

Additional efficiencies on the financial costs will further accelerate this growth at the net income level to above 4% per year. The buyback that we've already executed and that which we have announced today will raise our EPS targets to 5.5%. Our EPS just so you know continues to assume that our convertible bond doesn't convert at this stage. So to sum-up, the



key metrics in our plan have been confirmed or improved, compared to last year.

Looking more closely at 2020. This will be another year of growth driven by continuing investments in a regulated asset base and the initial contribution of the new businesses' lines. This will be compensated by the normalization of the contribution from the international associates that we said was extraordinary in 2019.

Looking ahead, overall, we're continuing to make good progress on our strategy. We have long-term visibility on sustainable RAB growth to 2030 driven by the replacements. Gas demand continues to grow above expectations with additional upside coming from the coal phase out. Green gases are now seen widely as a key component enabler of the energy transition and Snam is acquiring, building, developing industry leading capabilities in many of these new sectors.

Overall, we believe that we are ideally positioned to continue to deliver our industry leading RAB growth. But we also feel that on top of that, the exposure that we've built to the energy transition, the technologies, the platforms, the competencies that we've in sourced and developed provide a significant upside potential as a decarbonization effort continues to gain momentum.

Thank you very much for your attention. We're happy to take any questions.

#### Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. 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." Anyone who has a question may press "\*" and "1."



COMPANY REPRESENTATIVE: May I ask you to state your name and your company before taking the questions. Thank you.

JAVIER SUAREZ HERNANDEZ: Thank you, Alverà. Many thanks for taking my question. Javier Suarez Hernandez Mediobanca. 3 questions, the first one is on the CAPEX increase and the effect on your finance. CAPEX has been increased by 14% equaling €800 million and then the profile by the company growth in terms of EBTIDA and net income has remained roughly unchanged. If you can help us to understand why the company...that increase in CAPEX doesn't materialize in higher growth through the P&L.

Then the second question is on the adjusted net debt to RAB is at 53% by the end of the Business Plan and you mentioned again that you would be happy with that level of debt at 60%. Why the company has decided not to give more dividends on the business side? So the dividend commitment has remained unchanged at 5% CAGR to 2022, why the company has not extended that to 2023 or why the company has not considered to be more generous on the dividend side given the expected half on the balance sheet.

And the third thing that was interested in is on contribution from new businesses, in the previous Business Plan, you were mentioning a total at €250 million coming from...out of incentives €150 million and then global solutions €100 million in the previous Business Plan, that was, I think it was €250 million at the rate of €150 million and €100 million, so how these numbers are fitting in the Business Plan.

MARCO ALVERÀ: Okay. Thank you, Javier. So I will answer offline and I will just fill in if you feel you want to. On the CAPEX side, it simply has to do with the phasing, so some of the CAPEX that is then turned into RAB it's coming at the end of the period. So I don't think there is anything special in some of that EBITDA growth, I will come later, maybe Ale, you have more detail of that and then there is of course, the inflation which has been lowered if you are comparing



this plan to the previous plan. We used to have a 1.1 deflator [ph] number in the previous EBITDA guidance and now we have the 0.9 on the EBITDA.

On the dividend question, as we look at our European peers, I mean 4 years is a very long time to give such a precise outlook for dividend, and so we feel that's the right number for where we are in terms of visibility. We don't look at the balance sheet for dividend. We look more at payouts and we think we are in very comfortable zone. As we said when this stabilizes, we were at above 90, now we are low 75, so we think that is an interesting place to be. We have announced the buyback as well. That's another way of using the balance sheet and some of the financial flexibility to return resources to shareholders. And I think the overall dividend level is at the top of our peers as well.

Looking at the revenues, nothing has changed compared to last year, so don't think that because we don't have the 250, something just changed in our Plan. What we expect from the non-RAB output is the same. The reason we took that number out is because we were getting a lot more questions and answers because it was a cumulated revenue number comparing apples and oranges and I think you did the math right to split it. And then people were asking us what the marginality was on the businesses which of course is very different if you look at this number of the solutions and if you look at non-RAB revenues. What I think we can say if you want a little more detail on the new businesses, so let us keep the old businesses where they were. On the new businesses, what you should read in the numbers we gave and it's about €400 million of investments in the energy transition and targets as I said of high single, low double-digit.

So if you use that as a proxy for what we expect in 2022, I think that can be a fair calculation to be done. Of course, some of these businesses will not be consolidated. So I think to look at the net income is better than to try to look at the EBITDA. I don't know if I have answered your question?



STEFANO GAMBERINI: Good morning, Stefano Gamberini, Equita SIM. First of all, regarding the financial flexibility, how big is this financial flexibility and how could you use it. I am particularly interested there how much can you spend to enter new market that you just said? In the press release you reported that some reference regarding U.S. markets, Chinese market, so how could...not regarding the investment, not just regarding the market they are doing quite well, if you can say a few words about how you can just spend [ph] out of Europe?

The second question is regarding the dividend policy. You said the payout is more important for us. In the past, if I remember well, there was 80% sort of feeding [ph] in term of payout, so this could be something feeding [ph] for 2023 payout. And further regarding the regulation, could you give us a sort of sensitivity regarding your view of deliveries in term of the regulation update that have in term of all over the WACC today the regulator for the WACC [ph] kept unchanged the floor at 0.5% real returns in terms of history, and if you could remain question mark you have in term of said dividend policy for 2023? Thanks.

MARCO ALVERÀ: Thank you, Stefano. So on the financial flexibility; I think it's easy for you to calculate it based on the slide that Ale gave you. I think you can put it at 60%, just below 60% and see where should we end up, so that's an easy number. In terms of how we use it, we have I think been quite precise in outlining what our investment criteria are. We have said that we...Ale just said she wants...we want to keep the current credit metrics. We want to make a risk-adjusted return that's greater than what we make on the Italian regulated businesses. And we want to have let's say an industrial angle and then we have gone further to actually define what that industrial angle means, which is either we have industrial role that we can bring value to that assets or that opportunity is an abilitator for additional add-ons whether they are Greenfields or non-Greenfields that becomes a platform to additional growth or like we did for the Edison acquisition, it's something which is let's say adjacent to our existing assets. And I would argue that also DESFA



through TAP will become adjacent. So it's actually enhancement of our assets, so I think we, you know, it is hard to be more precise but we have I think outlined essentially the way we think about this and I would add...and it was more implicit in how we described that. We are constantly matching the organic growth. You saw an increase in the organic CAPEX, non-organic and the buyback, where we said many times buyback we like a lot because we are essentially creating our RAB. We are paying the premium over the RAB, but we are also saving on the dividend over the shares that we buyback that in a basic 3-year period can compensate the RAB free [ph], so essentially creating the RAB over time. So I think that's the way we think about that.

Regarding the dividend, the payout remains essentially flat over the period if you do...if you work this out quickly this afternoon as we do the math, so I think the 80% ceiling is unless you expect but I am not guiding for this, something magic to happen in 2022 [indiscernible] but I do think that 90% is too high and I have said this before. And we do think that where we today is a much more comfortable place to be.

Regarding regulation, we assume the WACC stays flat. We have, as I mentioned, a constructive dialog with the regulator. The way they treated the movement in the spreads has been fair, even if the period was quite volatile. I think what will happen to the WACC will be more a function of how the spread and the risk-free rates will evolve between now and when the actuation period that kicks-in, so we stayed flat. That's the kind of the assumption that we make.

Well, I think yes, [indiscernible] is pointing out the assumptions we make of course are consistent with today's forward curves.

ENRICO BARTOLI: Hi, good afternoon. Enrico Bartoli from MainFirst. One question with regarding your indication of 1% per year growth rather beyond the plan period. If you can elaborate a little bit on, which assumptions you have to



give this kind of guidance, and actually the risks that you see since we are going, let's say, in the medium term rather than over the next 5 years? And second question is related to Sardinia, if you can give us the amount of CAPEX include, you know, CAPEX plan, and if you can give us an update on the regulatory and political risk on the execution of the CAPEX that you expect. Then, I have a question on...for the CFO, on the evolution of net debt by...at the end of 2020, there is some increase compared to the guidance for this year, if you can guide us the evolution, I guess, there is, of course, the buyback, but if there are any effect and also you mentioned the possible impact on the guarantee for TAP. Can you give us some details on this?

MARCO ALVERÀ: Okay, good. So we have a 10 year plan that's formal document that's presented to the government and the regulatory on a rolling basis. And so, I...the RAB growth comes from that...I see perhaps some upside potential as some of the methodology that, I begun to indicate around the replacements becomes firmer, the discussion is ongoing. We are presenting a methodology plan to the regulatory by the end of the year. So in 2020, I think we will have a clearer picture of how to approach those whereas I have indicated we want to...on the one hand make sure the asset is in the right help from all points of view, and we also want to make sure we are not replacing pieces of network that don't need to be replaced. So I think that balancing has not happened yet in the precise way. And so, I think as we continued to age...see the aging of the network, I think there will be more...more opportunity on the upside than risks on the downside.

Regarding Sardinia, I said €400 million is in the plan numbers that you have seen, the cost benefits now is extremely robust, people in Sardinia right now are using GPL mainly for heating, which has a commodity price of more than 3 times that of gas. So there is a very strong push from the people there to bring onboard gas. So I think the question that there will be gases no longer a question, some people still think that the cost of deposit may suffice our strong arguments is that if you only rely on cost deposits, you have a very



fragile system and we have seen another instances where we have a very small niche markets, it's going to be hard to bring the full value to the consumers. So the cost benefit analysis essentially needs a backbone and a way to connect this backbone with Italy in the first phase could be via dedicated LNG ship. So I think they are always...any of these projects some risks around the authorization, but progress is underway, and I think people from Sardinia deserve to have energy at the same costs as others and there is also industrial risks of not lowering the cost of energy in Sardinia.

ALESSANDRA PASINI: On the debt of course that reflects the announcement on the €50 million buyback, which we will carry out over the coming few months and also if you consider that we expect closing of all to take place in the first queue, which again will increase versus the organic so to speak leverage ratio, when it comes to the guarantee of TAP...guarantee of TAP that is something that has been growing with our exposure in terms of equity and the construction to the infrastructure. And as all project finance we do have a shareholder construction guarantee we get through these once we get into operation. So that's effectively something that has always been adjusted from the rating standpoint, our metrics, it has just grown relevant at the construction period gets towards the final...the finish line. So we will get the release of this once we get to the cooperation [indiscernible] shareholders with just the same structure.

MARCO ALVERÀ: Operator, we may now take 3 questions from the conference call, please?

OPERATOR: The first question from the conference call is from Harry Wyburd with Bank of America. Please go ahead.

HARRY WYBURD: Hi, everyone. It's Harry Wyburd from Bank of America, 3 questions from me, please. The first one is just a follow-up or return to the M&A strategy. I know you've talked about it briefly before. But, I wanted to zoom in on the role of the Americas in your potential M&A strategy, and I know you don't comment on specific deals, so this is just a very general question. Obviously on your



Page 23, on the side that you've illustrated that you have got a very good track record in European or large European M&A. So what is that perhaps triggered the U.S. or the Americas to crop up a bit more in the press in terms of your potential plans. Is it...because you feel like you are...the number of opportunities available in Europe is reducing or is it because you feel like the returns on offer within regulated assets in Europe and perhaps following because of more harsh regulatory action and the returns are actually higher in the U.S. or was there a different reason why, the Americas is showing us the question in simple terms. Is the U.S. more attractive environment now relative to Europe for M&A?

Second one is just, a relatively straight forward one, you mentioned that the TAP [ph] contracts which had an expiry in 2023, if you could just quantify how much that could be worth if you associate income?

And then, the final one is on space heating, so in your Page 7, you showed building which I presume mostly heating is about 40% of gas consumption in Italy. If we talk to some of your electricity focus peers across Europe, you tend to get quite gushing views about heat pumps about how fantastically efficient they are, how they are going to lead to the full electrification of heat, how they are all NPV positive and so on. Obviously, you perhaps slightly on the other side of that debate, so I wonder what is your view on the electrification of heat. Is there something that you think is closable in the short run and do you have any views on how the latest heat pumps in terms of efficiency compared to using natural gas? Thank you.

MARCO ALVERÀ: Okay, great. Thanks Harry. So on M&A, I think you're right we don't comment on specific situations nor do we comment on specific geographies I think when you think about us, you should...we are attracted in markets whether it's for global solutions to do consulting services or to bring our biomethane and energy efficiency in CNG, we are interested in the gas markets that are growing. So we have an office in Beijing to develop our capabilities there, maybe we start with the consulting opportunity. We have



signed a number of MOUs; in fact we have issued our first invoice last week out of our Beijing office, which is a very exciting moment for us. And so, we are developing relationships with NOCs and with growing markets and as we look at North and South America we see significant opportunities for many of the things that we do including the natural gas mobility.

As I mentioned the arbitrage and I cannot stress this enough, but the fact that petrol and diesel cost 3 times natural gas and in America they cost even 5 times natural gas there because of the lower cost of natural gas due to shale. There will be a very significant shift in infrastructure from petrol and diesel to natural gas vehicles for the pick-ups of truck or trains, as well as, electric of course which will continue to grow. Around the tag expiries, I mentioned that we expect volumes to remain stable, of course, that's a key route for Russia gas into Italy and into Europe. So, we have no question on the volume, there is a mixture of the contract expiry and some of the regulatory reviews that are taking place. So I don't want to be...I don't want to be too specific because of the ongoing discussions and sensitive nature of the discussions that we have. But, overall if you take our €160 million, 2022 target you can probably factor in, if we are not success in mitigating some of the actions maybe 5%, 7%, 8% fall in '23 compared to '22.

Looking at heating, of course, if you look at Southern Italy or South Europe heat pumps work very well indeed, if you look at North Italy, they have greater difficulty in the colder climates. We have debated this at length with Terna, especially in the decentralized scenario that we showed before, there is a lot of growth in the electrification and some of that is driven by the heat pumps. Overall, I think the electrification that we have today is around 25% and I think with Terna we see it growing to 35% by 2040. So there is a significant increase in electrification, but we also see because of that growth in the green molecules as we showed, we see demand being quite stable. I think if you want to get more technical, we're happy to do so, some of the latest thinking is that you have electric heat pumps combined with either hydrogen or natural gas-based boiler for those cold days. What's always



very important to remind everyone is that the winter energy consumption is in the case of Italy 6 times greater in the winter than it is in the summer. In the case of Northern Italy, some regions is 15 times greater in the winter than it is in the summer. And so not only you have to put in the heat pump, but then you need to think about how to store the electricity for that heat pump from the summer when we have a lot of sun to the winter when we have a lot less sun and in some places maybe 10 times the demand. So that's where we think that hydrogen really comes in. So we may lose some domestic natural gas market, but we may recover that market through storage as power-to-gas and hydrogen storage become a key feature of the combined let's say molecule and electricity network, not combined with the kind of sector coupling and greater inter connections.

HARRY WYBURD: Okay, many thanks.

OPERATOR: The next question is from Olivier Van....

ANALYST: Good morning...

MARCO ALVERÀ: We will take another one from the call and then come back to the floor.

OPERATOR: Excuse me; the next question is from Olivier Van Doosselaere with Exane. Please go ahead.

OLIVIER VAN DOOSSELAERE: Yes good morning. Thank you very much for taking our questions. You know from my side, 2 actually. First one is on the I guess the way of confidence in the guidance, so I guess I can't really ask you if you think you will do better than what you guide for, but effectively when we see that you sort of roll forward by one year your guidance on net income despite the fact that you are spending more on non-regulated activities, you indicated that you expect the cost of debt to be lower than the previous plan 2019, but we also as a starting point ends up being better than what was in the previous Plan. And you also focus on more efficiency. Should we take



the absence of an upgrade on net income guidance for the medium term as an element of caution? On the other hand, would you say that it actually reflects the fact that 2023 may be a bit more complicated, for instance because of what you said on the TAP pipeline.

And the second question is about your international M&A strategy, so we can see quite well maybe on how buying European infrastructure adjacent to yours could create some synergies and therefore raise the value of the whole. How is your...what...how can you guarantee that actually entering into new markets, there will be a similar level of value creation when we think about the fact that the assets you might go after are quite praised among other type of more financial investors who will probably be willing to pay some relatively high multiples? And maybe also how do you think about the potential risk that once you start to diversify yourself too much, if your associate stake start to be quite widespread that eventually people might actually end up putting a sort of a holding discount on the value of your shares. I wonder how you think about that please.

MARCO ALVERÀ: Okay. Thank you. So if I understand well, your first question is related to 2023 net income and why the increase is less than you could have obtained by just adding the efficiency and the CAPEX increases, is that correct?

OLIVIER VAN DOOSSELAERE: Yes, in the lower part of that.

MARCO ALVERÀ: Yes, so actually the cost of debt is increasing due to the forward curves that we apply today, so the average cost of debt is increasing over the Plan period. The...as I mentioned before for the EBITDA, we are using a lower deflation [ph] than we were last year, so this has an impact on 2023 of course, this is just an assumption that we're using. We went from 1.1 to 0.9 and so the extra activities essentially compensate for that plus we are starting from a higher base as well.



When you talk about the other assets, I think, there is two questions that you've asked in this question. One is, how do we make sure, we don't destroy [ph] value if we go after assets that are attracted to financial investors? And the second is, if we have the risk of holding discount? I basically, always go back to the criteria that we have set out. We will only buy an asset if and when we are confident that we can make a better risk adjusted return than we can on our Italian RAB. So we have basically not participated in many auctions of assets, where we see an asset that is fully built-out, standalone, mature, those assets that are appealing for the pure financial investors are not...simply not interesting for us because, we will never get to the financial criteria that are laid out. So I really don't see this as a risk at all.

Regarding the holding discount, I indicated briefly, for instance, on energy efficiency that we are available to discuss a third-party investors coming into this type of business. I think it's early to tell, but certainly a business like that, once you know, if we grow it to a point where it becomes a relevant and meaningful business. I would have nothing against also diluting our exposure to that business. So I don't think it's a question for now. But, it could well be a question 5 years from now, as these businesses grow, should we realize that there is a dislocation of value we will take steps either to show value that is not being noticed or even deeper corporate finance measures. I think the merger we did of Italgas is a showcase of our approach to this, not that it was...there was probably holding [indiscernible] both companies were doing different jobs and both us and Italgas has performed better since the demerger of that business. I don't know if I answered your question.

OLIVIER VAN DOOSSELAERE: Yes, very clear. Thank you very much.

MARCO ALVERÀ: Thank you.

OPERATOR: Antonella, please.



ANTONELLA BIANCHESI: Okay. And it is Antonella from Citi Group. Just one big picture question, I know your strategy is always compared, you know, how much you can improve the system compared to what we have today in terms of decarbonization, but the request to being this regulatory of investors is really to understand it developing biogas investing in network is actually the best solution overall even comparing to electricity solution, and this is the reason, what the regulator have asked when this [indiscernible]. So, my question is, we obviously don't know because the technology is going...is evolving power prices, gas prices goes down very likely, power prices will go down as well, technology in the renewable hydrogen to store electricity's and another option that could change the picture. So why looking to expand again into the gas when electricity and gas are really converging [ph]? So you know, the best I think that the best way to protect your assets, your [indiscernible] that are there for the next 8 years, it will be to integrate your business with the electricity network, because, you know, also to diversify and to optimize, why this has never been...is not an option, if it is not an option the potential of a merger with Terna for instance, you know that we optimize the development of the energy policy in Italy. And my...I have other 2 small questions, one is on Italgas, Italgas is never mentioned we have 13.5% [ph] in the company, is it a strategic asset or you think it could be a disposal to finance something else or which is this role? And last which is the contribution of the TAP to your 2020 earnings guidance. Thank you.

MARCO ALVERÀ: Okay, thank you, Antonella. So I certainly won't comment on any specific merger or M&A idea. What I can say is that the work on the scenarios that we did with Terna is very, very precious, and I have been working in Enel for many years before spending 11 years in Eni. And since I was in the sector, there have been various attempts to try to say, okay, one view of the world is to electrify as much as possible. The other view is to use molecules, find a balance, this balance has never been found for at least 15 years, and now finally it's there.



So what we have is a very deep and thorough work that has been made publicly available that is shared and supported by the regulator I would say also be the government that really shows what we can do with electrons and what we can do with molecules, and how the 2 can help each other. And what we've announced today regarding the dual-fuel compressor stations, I think it goes a long way to show that.

In fact, we are electrified, when I say that we are installing electric capacity, I would generate significant electricity demand, I will cannibalize some gas demand, but that's fine. And essentially, we will have a much more efficient system that can actually help the electricity grid be more resilient and balances when they need to offload power, when they may need lower power consumption in the areas[ph].

I think that we are making really good progress in aligning or planning and our ideas. If you look at Sardinia, you mentioned Sardinia, if you talk to Terna, they will say we say, which is you need both. These are different...there's different markets for the electricity and for the gas. The gas essentially goes to replace the heating that is used in some of the industrial uses and has to support the phasing out of coal. The electricity has uses for serving the current electricity needs.

So I think we're making really good progress in being more and more coordinated. ESE [ph] Gas is a great company, it's a well managed company, we're happy with the way the investment is going. We have no urgency to dispose of the stake; we've said this from day one. We don't consider it a strategic investment either, so...but it has a similar risk profile to us, it's the same type of business, we understand the business, and it's contributing to our earnings. I actually don't know the contribution of TAP in 2020, a few million positive?

COMPANY REPRESENTATIVE: Positive



MARCO ALVERÀ: Okay. Because it depends on the month in which TAP comes in, because it's negative until when it comes in and then it turns into positive. So based on the month, we expect as a couple of million positive already in 2020.

ANALYST: Good morning and thank you for the presentation [indiscernible]. Can you hear me?

MARCO ALVERÀ: Yes.

ANALYST: Okay. So first congratulations for the neat [ph] integration of ESG in the company strategy. On this regard, it is clear that the company may be helping [indiscernible] transition from traditional natural gas to biogas and hydrogen. On this regard, is the recent announcement of the new European Investment Bank climate strategy and energy policy having an impact, or is going to have an impact on the execution and the timeframe of such a plan?

MARCO ALVERÀ: Thank you, Albert for the question. It gives me the opportunity to say and restate what I said in the slide before. That we see EIBs outcome, which is not necessarily what some people were hoping for as very positive for Snam, because what they what they have essentially said is that they will continue to support gas infrastructure so long as it's used for the green gas, which is exactly what we've been saying before the EIB announcements. I think it's a further endorsement if you will of our strategy and further demonstrates that this is the trend that is now becoming more mainstream and we're talking about green gas as a few years ago, it was much, much less established as a feature of the energy transition. So we are very positive and encouraged by this decision last week.

ANALYST: Hi, this is [indiscernible]. Couple of questions. Firstly on the future of your assets, obviously you are very bullish about the gas demand, gas consumption, whereas the other [indiscernible] in Europe are not necessarily so, and they are actually saying they need...the picture is quite mixed and some of them notably national [indiscernible] proposing to include the risk of



stranded assets into the next level of our pillars and to accelerated depreciation. So my question is related to this, whether there is any discussion whatsoever with the regulator, that the actually reason and the risk of stranded asset, and how would you tackle this? And related to this also on your 9,000 kilometers of [indiscernible] pipes. Can you actually get remunerated on this somewhat? Like in Spain, for instance, you get extra OPEX credits for having pipes with value of zero. That's the first thing. Second thing on actually LNG and storage, I remember Marco you are always very, very bullish on storage. Gas prices are quite depressed, so did a full around Europe. So what's your view right now on storage and the value of storage in the future? And related to this, would you also consider a construction of new LNG terminals in Italy?

And thirdly on DESFA. I think by the end of this year, you're supposed to provide with some Business Plan for DESFA. So I wonder if there's any update on this one, especially given the fact that in Greece you have a number of CCGTs being built now to replace old and absolute lignite, which should of course boost, both gas [indiscernible] and should be positive for your asset. Maybe we can elaborate on this one. Thank you very much.

MARCO ALVERÀ: Thank you, [indiscernible]. So let's start with the future. So the view that we highlighted is not my view, this is the view of us and Terna and the regulator and obviously the government. It's a very shared view. Italy has historically been a country with a big penetration of gas. And Italy has to phase out call something that U.K. has indeed started doing sooner. So I think, if you look at the U.K., you have seen a growth and gas demand happen in the previous 3 years which is what we expect to completely as we approach the phase out in 2025. The U.K. has essentially phased out call already. The...we have no discussion around stranded assets acceleration, I could see why it could be tempting for some to actually accelerate and shorten the depreciation period.



Regarding the 9,000 kilometers that will be left or will be let's say fully amortized by the end of the plan, which by the way is the same number we have today. This number will grow based on the current 1% of RAB growth kind of 10-year plan that we have this month. There will be more assets expiring, the new assets being built in our current outlook. We have no...not only no regulation, but we have now, let's say certification of these assets or simply operating them I'd say almost out of inertia. These are assets that are out of the RAB and that we're treating them as if they were in the RAB for all intents and purposes.

I quite personally like the Spanish model; I don't necessarily think that will be the model. But what I mentioned before is that we are providing the regulator in these weeks and months with the methodology we have outlined as to how we prioritize what needs to be replaced, we are looking forward to a constructive discussion with them, where I think it's going to be a win-win. Win-win, meaning that the system doesn't need and I will be very strict against any efforts to replace what doesn't need to be replaced. But we need to find a way to remunerate that whether it's OPEX whether it's adding back some life to it; whether it's agreeing that it has new life. So I think that's a quite an interesting discussion that we will have always with the consumer in mind, always in that trying to replace what actually has to be replaced. And so, I think that will be interesting.

Storage, we've been saying this for many years that the LNG market will be over supplied in the summer and quite tight in the winter. And we are working in some of the developing countries with our global solutions business to provide advisory services for more storage, but it's very difficult to build more storages. So you look at Korea, Japan, India, China, they don't have storage. And in the winter, they're going to take a lot of gas, in the summer they won't be able to take the gas. And so, it's all coming to Europe, which is great news for Europe. It's all coming to Italy, which is great news for Italy. We get cheaper gas and a full storage. I think the system is coping quite well. So we don't need today additional REGAS. But you know, there's



still big question marks about the rest of Europe, as countries face the combination of coal phase out and nuclear phase out, my expectation, given the progress I'm seeing and I don't want to pinpoint any specific country but the progress I'm seeing on for instance, the wind development in certain countries, it is going a lot slower than planned, a lot of the countries in Northern Europe don't have a lot of sun or don't have competitive enough sun. And so, I expect gas will have a growing role for sure in the transition period, and I think storage will continue to be extremely valuable.

The DESFA Business Plan has upside potential. We have now new government in Greece and we are in the process...DESFA is in process of talking to the government and the other shareholders we have and the regulator to approve new plan which will be increased. I think there is big opportunity in Greece, where we mentioned on the CCGT front, so there is more volumes coming. There is potential further evolutions of the market there but there is also potential small scale LNG. All the islands of Greece are essentially like Sardinia which is using GPO for heating which from an environmental point of view but also from let's say savings point of view or kind of cost of energy point of view doesn't make any sense. So I think there is really big potential to substitute some of their GPO and some of diesel. A lot of the islands are still running on diesel generators which is polluting a lot and costing few times as much.

COMPANY REPRESENTATIVE: Operator, can we have another question from the conference call, please.

OPERATOR: The next question is from James Brady [ph] with Deutsche Bank. Please go ahead, sir.

JAMES BRADY: Hi, good afternoon. Well done in the presentation is really interesting and, yes, well done for leading the debate on some of these issues around as you transition green gases. I just had a couple questions on my kind of long term outlook, but to maybe be a bit more specific around the steps that



could be coming over maybe the next 5 years or so, and specifically on biomethane which is an area you've obviously talked about. You are suppose to kind of move that forward?

And then secondly on green hydrogen, but on biomethane I was just wondering what you could set out in the next 5 years. What the next steps are? It is just a case of ramping up production further and being involved in the debate from math [ph] and how far...the incentives that are currently there in Italy thinking that can get so in 5 years or maybe even 10 years' time as a percentage of overall gas use?

And secondly on the green hydrogen sides, you had some interesting number sharing, the costs coming down and the, you know 2 elements if that being the electrolyzer CAPEX and the potential costs of renewables. But I was also interested there in what you felt the next steps are is it a case of just trying to lobby government to try and support grants or incentives for more electrolyzers to be built in Italy to try and commercialize that technology and bring the cost down. Are you more happy to allow that to be happening kind of elsewhere around the world and maybe taking advantage of that once technology gets commercialized elsewhere? And then specifically on the estimates for the cost which come down very dramatically, I was just wondering how confident we can be around any kind of estimates of the long term costs of electrolyzers at the moment whether that is speculative...or how speculative that is. Thank you guys.

MARCO ALVERÀ: Okay, great. Thanks a lot James. These are great questions so the biomethane, let's focus on Italy. Italy has a current incentive of 1.1 this year. This is all paid for by, let's say, the car fuels. So it is in the center that goes as part of the biofuel policy. The 1.1 billion equates to more or less 500 megawatt hour...500 megawatts of installed capacity. We mentioned that we target 40 megawatts so it is less 10% market share, and we said that we will invest €250 million to do so. There could be upside for us as these platforms that we have purchased and the pipelines that we are seeing.



There could be upside to our investment and our exposure, but as you see it is a relative share also because we see the full potential biomethane is 12 billion cubic meters. Is this 2040, so 2040, so as I...2040 we see for a potential 12 billion cubic meters. So, that would be over 5 gigawatts of installed capacity. So, it's a big market, it's growing and it will have to be incentivized, it requires a types of skills that we have and so we quite like it. And the same is happening in other countries in Europe, we see a number of countries increasing and making the incentives more attractive.

Hydrogen is...let's start with the electrolyzer number, so we performed a lot of work with a consulting firm, that work is publicly available, we have pushed a book on...on the way in which we calculated the cost reduction. Bloomberg has done some excellent work as well, you can find that, it's a consequence of interviewing all the producer saying how will the costs come down if we scale the production up. And they all indicated a 6, 7, 10, and some people said 10-fold decline in production. So, we have taken a 7 times reduction in 2050, which we think is quite prudent actually compared to some of the other estimates that are out there.

And if you look at how these kits are made, it's really like a handmade car, this is almost like plasma screens, how they were made 15 years ago and it cost \$20,000 and now they cost a couple of hundred dollars of this. The policy, one of the policy ideas that we propose and the other TSOs are sharing is that by forcing a blend as we have shown it can be done by forcing a blend, even a small blend of just 7% could create enough demand for electrolyzers to then help the whole market benefit from the fall in price resulting from the creation of demand.

We also think Europe needs an industrial strategy to try to preserve technology and jobs in Europe and so it's a little bit replicating what Europe and really Italy and Germany and then Spain and the UK did for solar, by trying to first avoid the...the very big costs for the solar subsidies and second, to avoid having all the technology go offshore and so I think a



combination of trying to make it as cheap as possible to scale up the demand and as industrially sound as possible for Europe to preserve jobs and technology I think that's what we advocate for.

COMPANY REPRESENTATIVE: We also have some questions from the web, so Jose [ph] I think we already answered to your question and Matthias, we answered already to the first 2. But, we still have the third one.

MARCO ALVERÀ: So, I think there is a question here from Matteo Rodolfo also from Goldman Sachs, who asks whether the TAP [ph] DCA volumes would be affected if the UK-Ukraine gas from...gas transit deal is not renewed. So, the...no, they would not be effected, the only...there will be, there has been increasing volumes of Russian gas coming into Europe, if the flows in the Ukraine are reduced it's because [indiscernible] is on stream and the Nord Stream 2 is on stream, and the Nord Stream 2 as you know, lands into Germany. So, it would then come into Italy through Baumgarten as well. I hope that answered your question?

COMPANY REPRESENTATIVE: Okay. I think we have the last question from the conference call?

OPERATOR: Gentlemen, there are no more questions registered for the call.

MARCO ALVERÀ: Good, okay. Well, that's it, if there is no...I think there is maybe a follow on question from the...

ANALYST: Sorry, just one quick follow-up question, again, the [indiscernible] in global solution revenues that in the previous plan we had €150 million up to 2022, what is this amount in this Plan?

COMPANY REPRESENTATIVE: Yes. As I said before, I assume the same.



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MARCO ALVERÀ: Assume the same more or less, yes. Because no change, it's just...it was an odd aggregation of businesses and the targets. So, we have just decided to not to...not reemphasize that. Okay, so thank you all very much for having come. And I think there are copies available of the gas report and the hydrogen book for those who are interested. Thanks for being here.