energy to inspire the world

2020-2024 Strategic Plan Conference Call

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Investor Relations Snam
T +39 02 37037272
investor.relations@snam.it

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

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Snam 2020-2024 Strategic Plan Presentation. 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 Mr. Marco Alvera, CEO of Snam. Please go ahead, sir.

MARCO ALVERÀ: Thank you. Ladies and gentlemen, good afternoon and welcome to Snam's 2020-2024 Strategic Presentation. I hope that you, your families and your colleagues are well and I look forward to seeing you again in person soon.

The plan we present today is about Snam's exciting journey towards a Net Zero carbon future. This journey has 3 significant implications. First getting to Net Zero ourselves, we intend to be the first in our sector to do so by 2040. Secondly, our assets play an essential role to get to Net Zero which means that it extends the long term RAB growth potential. Third, the energy transition businesses that we have built now face exciting growth prospects. All this makes Snam a market leader in the race to Net Zero.

Our target of Net Zero by 2040 is the most ambitious in the industry so far. Already by 2030 we commit to cutting emissions by half, which means taking out approximately 800,000 tons of CO2 equivalent. Almost half of this

reduction will come from installing new dual fuel gas electric compressor stations, which will also help with the sector coupling. We will also reduce methane emissions by 45% by 2025, compared to 2015 in line with the UNEP framework. ESG remains at the core of our strategy and in the backup you will find our new ESG scorecard, which defines our 22 targets on which you will be kept up-to-date.

Getting to Net Zero is one of the biggest challenges of our generation, and it faces significant hurdles and requires unprecedented investments and across industry co-operation. Countries accounting for 50% of global emissions have set or in the process of setting full decarbonization goals. China recently announced its ambition to peak CO2 by 2030 and get to Net Carbon Zero by 2060. Meanwhile the U.S. has recently signaled its intention to rejoin the Paris Agreement and set its own Net Zero targets.

Putting together different sources indicates that between a $100 trillion and $150 trillion of investments are required across the value chain. The mobilization of resources will be significant and Snam is ideally positioned to play a key role in this super cycle. Our position in this super cycle is firmly anchored on our mid stream asset, which continue to generate attractive investment opportunities and visible cash flows for the very long term, as they provide flexibility to the energy system and play an essential role in getting to Net Zero.

In addition, we are building positions upstream and downstream of our assets in hydrogen, in bio-methane, production infrastructure and final uses with a focus on mobility. Finally, we have created an energy efficiency platform offering our clients the opportunity to lower their own energy consumption, their energy bills and reducing their environmental footprint.

A Net Zero future places renewables at the core of many of our activities. In this context, it will become increasingly strategic to invest in this space. We are also interested in leveraging our core competences in adjacent

segments such as water. Neither of these opportunities are currently included in the plan that we present today.

We believe that we are well positioned to thrive in this new phase. Thanks to the ground work we have put in place over the last 4 years. There are 6 reasons why Snam will succeed in a Net Zero environment. First, our early commitment to ESG and to Net Zero. Second, the fact that our regulated asset base is future proof and a crucial part of the energy transition. Third, our teams' unparalleled project management and execution capabilities. For the 14th year in a row, and despite COVID, we will close our investment program this year on time and on budget including a very complex project like TAP where we have assumed the projects leadership among our senior peer group. Fourth, the 4 startups in the energy transition have established themselves as business leaders in each of their segments, and they will generate outstanding growth and value creation. Fifth, our enhanced international footprint and product portfolio which allows us to pursue additional decarbonization initiatives, and finally, we have repositioned Snam and funded these initiatives maintaining our strict financial discipline. We have kept a strong balance sheet while paying superior returns to shareholders and growing our overall profitability.

Let's now take a closer look at the market. The green gas revolution, we have been an early advocate of, is finally well under way. As countries think about what Net Zero looks like, the world of green gas for hard to abate sectors, long distance transport and seasonal storage becomes clear, leading to strong policy support. On that basis, the share of green gas in 2050 is expected to be above 25%.

The role of gas infrastructure assets in delivering Net Zero has also become much clearer over the past 12 months. Unprecedented collaboration, technical testing and information sharing among leading TSOs leads to the conclusion that the European grid requires limited retrofit and new built to be hydrogen ready. The unique feature of green gases is that they are not a

transition fuel, but like solar and like wind, and like most of the hydro power, these are considered forever fuels.

Phase 1 of the role of gas and the energy transition is the switching from coal and diesel to natural gas. This is already economically competitive in a number of sectors including power generation and heavy transport. Fuels which can provide immediate CO2 savings at lowest abatement cost and has a potential of adding 400 billion cubic meters of gas demand according to the World Energy outlook.

Looking at the longer term and the Phase II of the transition, which is a scaling up of hydrogen; this is now looking even closer than it was last year as costs are falling faster than we had anticipated. The level of cost of hydrogen is driven by the cost of renewable electricity, the cost of electrolyzers and the load factor. As we see renewable power reaching new lows, the key change compared to last year is a 15% lower cost of electrolyzer already for 2020. This 15% reduction has been achieved as manufacturers are envisaging and looking to the great demand visibility that they are now getting because of the policies.

We now think that with around 25 gigawatts at a global level of incremental and predictable electrolyzer demand, we could get hydrogen production costs…green hydrogen production costs down to $2 per kilo which is a tipping point, when it becomes competitive in several applications. This can be achieved before 2030 with 25 gigawatts of electrolyzer demand in areas where favorable renewable conditions exist like the Middle East and North Africa and other deserts for solar.

On top of production costs, the hydrogen will need to be transported, distributed and stored and used in refilling stations before it gets to the consumer. With regards to transport, pipelines are by far the most convenient way to access large amounts of renewable energy from distant locations. This Bloomberg NEF [ph] analysis shows how by 2050 hydrogen

imports to Germany from North Africa will cost around $1 per kilo, and will be cheaper than the hydrogen produced locally from offshore wind farms, the blue hydrogen and much cheaper than the hydrogen imported via ship from the Middle East or other remote locations with pipeline costs around 1/10th of shipping costs when it comes to hydrogen.

Based on this and on other studies the cheapest way for Germany to source green hydrogen is potentially through our existing Italian pipeline network. We believe that hydrogen will become competitive in a number of sectors faster than expected. Broadly speaking, we think that rail and heavy transport will switch at a delivered cost of between $5 and $7 a kilo, including transport storage and distribution equivalent to an underlining production cost of $2 to $3 a kilo. Next up are the industries that would use hydrogen as a direct feedstock, so refining and steel DRI, well it becomes competitive in the 2030s.

The third block to become competitive is where hydrogen would be used for thermal uses mainly instead of natural gas. This is not an easy hurdle to overcome, because natural gas is very competitive. But on the plus side, there are not many additional costs needed to deliver the hydrogen, as many of these industries are already linked to our gas grids and volumes are significant. So economies of scale are also significant. We would expect this third group to start to switch in the 2030s, and through to the 2040s.

The above projections are built absent policy interventions, which we expect will be there and will offer significant support to accelerate this. Of course, the policy supports from Europe is moving strongly. And now Europe targets 40 gigawatts of electrolyzer capacity for hydrogen by 2030. The 6 countries that have so far published their own strategies or guidelines already account for 30 gigawatts between them.

The sectors that are being targeted are largely mobility, where the cost gap between diesel and hydrogen is smallest, and industry which can provide

significant volumes with minimal infrastructure requirements. Both Portugal and Italy also foresee a role for blending hydrogen in the gas grid, which is very interesting, because it enables a rapid ramp up in production volumes and therefore a decline in the price of hydrogen even before the consumption markets are developed. Such policies can speed up the transition considerably at very low costs.

The good news is that compared to the early stages of the renewable transition, we can now bridge the gap to switching much more cheaply, because we can benefit from the 20 year learning rates in renewables and the dramatic fall that we've seen in their production costs. We expect specific policies to support green hydrogen production, as well as, incentives to help consumers switch to hydrogen potentially of different colors.

Italy's hydrogen strategy guidelines were published yesterday. The country targets a 2% share of the energy mix by 2030 and up to 20% by 2050 that amounts to around 700,000 tons of hydrogen by 2030 or 23 terawatt hours with investments of €10 billion. This will be partly generated by electrolysis in Italy with a target of 5 gigawatts of installed capacity by 2030. And we will be destined for industry heavy transport and trains and hydrogen will be blended into the natural gas grid up to 2%. A 2% blend by volume is already possible throughout our network and including our underground storages without any significant investments.

The Italian strategy document also highlights that Italy can benefit from well developed existing gas infrastructure, and that it should leverage its geographic position to import hydrogen from North Africa and be able to export it to the rest of Europe.

The development of hydrogen has significant implications for our infrastructure. We have scenarios run at 18% and 20% penetration by 2050. And because of hydrogen’s lower density, volumes of gas in our pipelines

increased significantly, they rise to over 90 bcm from 70 bcm today at a 25% share and even at 18%, they would be higher in 2050 than they are today.

We expect to see a coexistence of natural gas with CCS of biomethane and of hydrogen in our mix with the former decreasing and the later to increasing over time. We already started advanced work to determine how we will deliver this transition through our infrastructure including storage. We expect large volumes of green hydrogen to be produced in our sunny south and consumed mainly in the north. Our infrastructure will add significant resilience, flexibility and security to an energy system based on intermittent and faraway renewables.

Let's now move to our plan. Our CAPEX plan for the period has increased by 14% to €7.4 billion of this €6.7 billion is in our core infrastructure up from €6.1 billion last year. The increase is largely driven by €640 million of additional investments in maintenance and replacements required to offset the increasing aging of our network, an additional €90 [ph] million in IT to increase the safety and efficiency of operations. We're also envisaging a reduction of €200 million in development CAPEX mainly due to a re-phasing of Sardinia project.

In this plan, we have nearly doubled investments in the energy transition to over €700 million. These are not part of our RAB, but we select projects and businesses with an accretive risk reward profile compared to our regulated business. These businesses have collectively already become EBITDA positive in 2020 notwithstanding COVID, and they will ramp up quickly and exceed €150 million of EBITDA by 2024.

The main scenario assumptions underpinning our plan are stable WACC after 2022 and the deflator of 0.9% for RAB. We're not yet including in our numbers any effect from last week's De Nora announcement and its possible contribution as a seed asset to a new energy transition investment platform.

Approximately 50% of our CAPEX is hydrogen ready. This is defined as a replacement and development investments in our assets carried out in accordance with hydrogen ready standards. A further 9% is dedicated to investments which increase efficiency to reduce our Scope 1 and 2 emissions, 70…7% [ph] to digitalization, and 9% to the new energy transition businesses. Approximately 40% of our total CAPEX is taxonomy aligned on the basis of the still evolving criteria the classification which has recently been certified by a third-party.

Looking in more detail at the CAPEX plan in Italy, this includes more than 1,170 kilometers of pipeline replacements in the next 4 years. Our dual fuel compressor stations, which will provide flexibility to the system as we can choose whether we use gas or electricity to compress gas. And third, looking at Sardinia, the project has been re-phased to start with supply as the first section of the backbone. The plan now envisages the construction of a virtual pipeline to bring LNG from Panigaglia and all gasification facilities to Sardinia, with the gas coming into a floating re-gasification storage unit or more units linked to the first parts of the backbone that will be developed gradually. So finally, Sardinia can get access to gas with a project that sees everyone in agreement.

We confirm our initial view that 70% of the piping is already 100% hydrogen ready. We have defined procurement standards for the hydrogen ready mechanical components and pipes for replacements and for development work. We're continuing to work on blending hydrogen and natural gas grid. And as mentioned, we have very recently determined that a 2% blend is now technically acceptable throughout the network, including storage without any intervention.

We have tested the world's first hybrid hydrogen turbine blends up to 10%. And this turbine will be installed in our gas compressor station in Istrana next year. We are engaging with industrial users of hydrogen, our clients, people connected to our grid on the possible use of hydrogen in their thermal

processes including steel mills and power plants and other uses of hydrogen.

Lastly, we are promoting and sharing knowledge and technologies among a core group of almost a dozen TSOs in what is called the hydrogen gas asset readiness initiative, which is proving to be a very effective collaboration among peers in Europe.

Digitalization is another key investment priority with nearly €500 million earmarked in the plan period to become what we think would be the world's most technologically advanced gas TSO. We will develop world class data-driven infrastructure also with the support of top technology partnerships. We're making our assets more secure and more efficient. And we aim to sell our capabilities for dual fuel management and network optimization to customers worldwide through Snam Global Solutions and also through some of our technology partnerships with our providers.

The key area of work in our core business is a replacement of fully amortized pipelines. A large share of our network was built in the 70s, and given an amortization time of 50 years, that means that these investments are exit…exiting the RAB, as we speak. Indeed, we have now over 9,000 kilometers of pipes, which are already fully amortized, and despite replacing almost 1,200 kilometers over the plan period; this figure will remain at the same level at the end of 2024. At this level of replacement, the trend is set to accelerate.

We have always taken a conservative approach when it comes to replacements, prioritizing the pipelines on the basis of technical considerations. At the same time, we're working with the regulator to determine the appropriate replacement framework. Given the complexity of some of these discussions, we now foresee this constructive dialogue to run into 2021.

Looking forward our replacement requirements are a key driver of our long term RAB growth. We have accelerated our growth in the plan to above 2.5% per year. Looking 20 years ahead, we expect 2.5% a year to be a floor, as this would still leave us with over 11,000 kilometers of fully amortized pipeline by 2040.

To be clear, our 2.5% floor is calculated assuming only the necessary replacements from the technical point of view on the basis of our past experience and our continuous network assessments. This growth does not include any investments specifically on hydrogen. We will only replace and or repurpose our assets for hydrogen when and where it will become necessary.

Overall, the cost of transporting energy on our network is very low. And by far the cheapest compared to other energy sources be there electrons or molecules. Going forward, this cost advantage will continue to improve relative to other de-carbonized options.

Moving to our new energy transition businesses. Our first biomethane plant is starting up in December. We now target 64 megawatts of capacity by the end of the plan up from 42 meg in the previous plan with an investment of €220 million. Expected returns are low double-digit with a low-risk profile given that they're backed by long term Italian incentives.

In energy efficiency, we have acquired companies with specific competences and key segments. Over the plan period, we will develop a pipeline of projects in the residential sector, also supported by the long-term fiscal incentive installed 70 million distributed energy systems CHP, photovoltaic, and fuel cells, and supports deep renovation of public administration buildings. Overall, we see investments of €200 million, producing stable long term contractualized returns.

In Sustainable Mobility, we aim to have more than 150 CNG and LNG stations at the end of the plan. We will also develop 5 flagship hydrogen stations. We will increase our exposure to LNG for transport, investing in one micro-liquefaction plant and the upgrading of truck loading facility in Panigaglia. Overall, investment in mobility will be around €150 million.

Lastly, in hydrogen, we are ahead of the curve. Our plan is focused on getting exposure in the first in-the money applications, consolidating our leadership and technology and positioning ourselves for the larger scale developments and policy funded segments, as they arise. Initial investment is €150 million in the plan period. And we expect to have positive EBITDA in the segment by 2024 even before any policy support.

Looking at our hydrogen strategy in more detail, a key project is to convert diesel trains to hydrogen, where electrification is not possible. We have an agreement in place with the National Railway System, as well as, with train manufacturer Alstom. This project accounts with a majority of our hydrogen CAPEX in the plan at the moment and we expect the first train already in 2022. This project is in-the money already without subsidies, because diesel is expensive, and because the logistics of supplying hydrogen to trains is simpler than supplying hydrogen to other transport vectors.

We are expecting other segments of the market to become remunerative through policy support following the publication of the Italian hydrogen guidelines. Hydrogen projects will also be funded by the recovery fund and other European and national instruments such as the important projects of common European interest known as [indiscernible] facility. We are participating in the discussions to select projects, seeking to make them solid and bankable. These would represent an upside to our plan.

With regards to hydrogen technology, we have recently struck 2 important partnerships, one with Industrie De Nora, a leading company on electrode

and water technologies, and with very promising hydrogen upside, and the other with a leading PEM electrolyzer manufacturer ITM in the UK.

Through the acquisition of the investments in these companies and the commercial partnerships, we gain exposure to the fastest growing electrolyzer segments with complimentary alkaline and PEM technologies. The acquisitions also support the ramping up of our hydrogen business unit. As today having access to leading technologies and competences is crucial to win projects, especially when all concepts are a first of a kind and solutions need to be worked through and tailored and custom built.

A meaningful part of the De Nora stake is expected to be conferred to a new investment platform focused on the energy transition. Snam will be the anchor investor and the launch of this vehicle will enable us to enhance our exposure to the energy transition company's assets or projects through a limited and ring-fenced investment. We expect this platform to be launched in 2021.

Turning now to our international strategy, we have a great portfolio. By the end of the plan period, dividends received by the Austrian, French, and U.K. associates will be far higher than the price we paid for them, meaning that the acquisitions will have been fully paid back in a short timescale. For more recent acquisitions such as DESFA and Adnoc by the end of the plan, we expect them to be around 50% paid back already. As a whole, we expect our international portfolio to deliver solid earnings and cash returns above 10% a year on average and offer diversified growth opportunities.

Looking at our mature assets in Europe, as indicated already last year, contribution from our Austrian associates reflects the expiry of long term contracts in 2022 and 2023. We're working to mitigate such effects with shorter term and more flexible contract products, as well as, gas flows are expected to remain stable in Austria. Meanwhile, Teréga is entering biomethane in France and is well-positioned on hydrogen, given its

interconnection potential with Spain. We also have assets exposed to new gas consumption and growth in gas consumption, this include TAP which will start contributing to earnings by 2021 and the recently acquired stake in Adnoc. DESFA also benefits from growing gas consumption in Greece as well, and as the incremental supplies to the Balkans also via LNG.

Finally, through our dedicated asset light presence in China and India and the commercial reach of Snam Global Solutions, we can consider opportunities in areas with attractive gas and green gas prospects.

Finally, the key piece of news in our associate portfolio is that TAP has been completed and delivered on time despite COVID. We materially contributed to a success by appointing key people such as a former Head of our Gas Assets, who became the CEO of TAP, and by supporting the company in establishing a relationship with local communities providing local content. Some world leading technologies have been applied and integrated to absolutely minimize the environmental footprint of this project and even accelerate its executions and we're very proud of what Snam has been able to achieve in [indiscernible].

I will now hand over to Alessandra for a closer look at our financial structure, capital allocation approach and our main targets.

ALESSANDRA PASINI: Thank you, Marco and good afternoon everybody. Looking at our financial structure, focus remains on de-risking our Business Plan and preserving the solidity of our balance sheet. Cost of debt is expected at 1.2% over the plan horizon, slightly below, last year assumption, thanks to the actions already implemented to lock in favorable market conditions and improve market scenario, both in interest rates and credit spreads.

Moreover, we believe that further opportunities of funding cost saving could be achievable, thanks to further treasury management optimization, the recourse and committed credit lines and commercial phases and

opportunistic approach to managing our maturity profile and further diversification of investors, thanks to increase share of sustainable financing.

Snam solid credit rating quality is confirmed by the fundraising progress in the last few months, notwithstanding COVID. It totaled to €1.2 billion at an average tenor of circa 6 years, and an average cost of 0.3% was still having seamless access to the uncommitted credit lines, and commercial paper market. In this regard we highlighted our credit metrics remain comfortable within the threshold set by the rating agencies for rating one notch higher than our official one for Moody's and Standard & Poor's, even factoring in the full cash out for the acquisition of De Nora's stake.

Aside from numbers, as customer we have discussed this transaction with rating agencies who appreciate the sensible and disciplined approach on technology related to energy transition, and decarbonization. They like the fact that Snam will retain exposure to R&D and technology in a key space, such hydrogen, while limiting its capital deployment also in the context of the investment platform expected to be launched in 2021, protecting the low risk profile of both it is business and financial structure. We expect net debt to RAB, which reached circa 58% on a rating adjusted basis at year-end to decline over the plan horizon as in 2021, the guarantee related to the construction of that will be released as a consequence of its entry into operation.

Our ESG focus also drives our financing choices, our commitment was reaffirmed in September, when we joined the UN Global Compact and CFO Taskforce, which aims at bringing together investor's, issuers, banks, and credit agencies to create an efficient market for [indiscernible] investments and capital flows and consistency in how to measure ESG KPIs. Since the beginning of our journey in 2016 we've sought to increase the share of our sustainable finance. Today, we stand already at 40%, this was achieved through the conversion of our revolving credit facility to a sustainable loan with a bonus [indiscernible] mechanism, depending on the achievement of

the KPIs, which are included in our management incentive plan. 2020 is the second year in a row that we benefit from lower margins. Thanks to achieving those targets.

On the fixed income side, Snam issued the first kind of action bond in 2019, followed by its inaugural transition bond just few months back. Our move from a credit…climate action bond to a transition bond was aim at factoring on one side more ambitious and longer term targets in terms of emission reduction, both in CO2 and CH4 announced at the end of 2019, as part of our last year plan, and the inclusion consistent with the taxonomy definition of new eligible category of retrofit of gas transmission network was main purpose is the integration of hydrogen and other low carbon gases.

Our ambition is to raise the share of sustainable funding to circa 60%, by the end of the plan, leveraging our newish fixed income issuance out of our transition bond framework or other sustainable like bonds, and an amendment and restated commercial paper program linked to an ESG rating, which allow us to issue, up to 2.5 billion of ESG note. Our capital structure leaves us some headroom in terms of leverage, which [indiscernible] for potential additional investments not included in our plan. We will complete…continue to apply our strict financial criteria, when evaluating any opportunity.

As a reminder, we will only invest at or above the risk adjusted returns available on our regulated organic CAPEX, and we are committed to our current rating metrics and risk profile. Furthermore, we assess opportunities, based on whether they enhance the value of our existing assets, allow Snam to play an investor role and support additional growth and strategic optionality, but always incoherence with our ESG strategy and broader Net Zero vision.

On the back of these criteria we have increased our organic CAPEX and carried out bolt-on RABs like acquisitions, invested in our energy transition

businesses, expanded our international footprint, and increased cash return to shareholders through dividends and buyback.

Looking now at the plan targets, tariff RAB will grow by an average of over 2.5% a year in the period, ahead of the prior plan trajectory, which was above 2%. RAB growth will support revenues, which also will benefit from the significant contribution of our new businesses. Our efficiency plan, which will reach €70 million by 2022, a year earlier than planned will also offset growing R&D costs. This will deliver EBITDA growth over the plan of over 3% a year with the €700 million of investment details in the plan; new businesses will reach €150 million of EBITDA in 2024 with a further circa €50 million beyond 2024.

Net profit will grow by 2.5%, as a result of the growth in EBITDA factoring in higher D&A linked to the growing investment plans on both our core business and new businesses. Cost of debt of that is assumed to be stable. We expect earnings per share to grow by over 3%, consistently with last year, we are conservatively assuming a debt refinancing of the convertible note expiring 2022 with the subsequent cancellation of treasury shares.

Let's now look more closely at 2021, we expect this to be a year of growth when acceleration in CAPEX, with a positive impact from RAB growth and we are conservatively factoring a broadly stable output based incentives. We're expecting an increase in D&A, due to the significant ramp up of our CAPEX, higher in the business development costs for our platform. We also expect in the contribution of new business ramp up. Although more slowly than previously anticipated, owing to the COVID disruption. 2021 will benefit from a growth of the contribution from associate with the ending operation of staff and the contribution of Adnoc partially offset by the regulatory vision for the Alstom associate and the expected normalization of volume impact on tariff for DESFA.

Overall, we expect net income to increase by 3% versus our 2020 guidance. Net debt would reach €13.5 billion, driven by increase investments and working capital absorption of circa €200 million of which approximately 100 connected to our energy efficiency business. With regards to net debt to RAB throughout the plan, we will remain well below 60%. Duration [indiscernible] next year, as a top construction guarantee is released.

Thank you for your time. I will now hand over back to Marco for his concluding remarks.

MARCO ALVERÀ: Thank you, Alessandra. The CAPEX plan that we presented today only contains what is firm and visible and is not contingent on new policies or market evolution. Compared to this, we see 4 areas of potential upside. First, an increase of lab CAPEX related to green gasses, second, potentially new hydrogen projects supported by new policies, third, new biomethane opportunities nationally and internationally also supported by new incentive schemes and further growth leveraging our capabilities and product portfolio also in the circular economy, energy efficiency and renewables in Italy and abroad. As we gain additional certainty on potential investments and projects in these areas, we will update our outlook accordingly.

With regards to the dividend, we confirm our previous policy of EPS growth of 5% per year to 2022. Our robust growth profile enables us to extend EPS visibility for further 2 years with a floor of at least 2.5% annual growth in the dividend between 2022 and 2024. This policy is based on our current plan and targets. In the next 2 years, we expect to gain greater visibility on policies and regulation and opportunities that are above and beyond the plan. Should that lead to a higher structural EPS growth, this would be reflected in the 2023 and 2024 dividend.

Ladies and gentlemen, we have come to the end of our presentation today. The transition to a low carbon economy over the next 3 decades is among our biggest challenges. For investors, the question is how to gain exposure

to what will undoubtedly be a multitrillion euro investment cycle lasting many years and it will be important not to repeat mistakes that have been made in the past.

We need a no-regrets strategy that is relentlessly focused on developing future proof assets and technologies. We need a new collaboration model where different players come together to deliver complex groundbreaking projects. To deliver the changes that we need, investment in the energy transition must be sustainable and it must deliver incremental benefits to society and avoid systemic disruption and excessive costs.

Snam is an exceptional investment opportunity in this environment for 4 reasons. First, we have a solid and future-proof asset base that guarantees long-term visible and predictable cash flows. Second, we have a distinctive set of new businesses that capture growth and create value in the energy transition. Third, an international footprint exposed to areas of the world that are central in the energy transition. And finally, the balance sheet and cash flows to guarantee a solid credit rating and growing shareholder remuneration.

Thank you very much for your attention. Alessandra and I will now be pleased to answer 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." Please pick up the receiver when asking question. Anyone who has a question may press "*" and "1" at this time.

The first question is from Javier Suarez with Mediobanca. Please go ahead.

JAVIER SUAREZ: Hi, good afternoon and thank you for the presentation. 2 or 3 questions, it's on the medium-term view or long-term view for the company. I think that probably the thing that has surprised me the most is the visibility that the company has given on their RAB growth to 2040. And that is at 2.5% that is a significant commitment by the company. And I think that you have mentioned during your presentation that that is simply related to the substitution of the existing pipeline.

So the thing that I would like to ask you is to try to give us some more granularity on what the hydrogen opportunity could bring…put on the table for a company like Snam? What is your latest view on the opportunity that hydrogen means for the necessity to upgrade significantly the CAPEX of the company in an extended period of time to make this the existing network hydrogen compliant? That is the first question.

The second question on the dividend policy. So what the company has done is to maintain the dividend giving visibility for 2 additional years bar kind of scaling down the dividend growth commitment while the EBITDA and net income growth are similar. So you can help us to understand the rationale for that decision. Is that because of the company that see plenty of opportunities and believe that there is better use of capital rather than paying out dividends in 2023, 2024. So you can help us to understand the rationale for that that would be appreciated.

And the third question is on regulation. So obviously, the hydrogen market has to be built, but I just wanted to give…to ask you, your latest conversation to the regulator or your proposal to the regulator on how the market should organize, and I am particularly interested on what do you see, and how do you see the role of the electrolyzers should be, if the electrolyzer should be part of the regulator…the regulatory asset base and also you can give us some update on regulatory conversation to get some [indiscernible] for the fully depreciation asset beyond their useful life? Thank you.

MARCO ALVERÀ: Thank you, Javier. That's a rich set of questions. So the…first on the granularity of hydrogen. So to be clear, the plan does not include any subsidies on hydrogen. So the 2.5% growth in the plan and beyond is based on the business as usual steady state. Then there are incremental RAB opportunities potentially if we need to accelerate the hydrogen readiness. We cannot quantify these in euro amounts. We have said that 70% of our pipes are hydrogen ready so a lot of the CAPEX would be to the accessories above the ground, but it's hard to tell now how and how much and when that additional money will be spend because what we need to do is understand how much methane with CCS, either at the entry or the exit of our system, biomethane and hydrogen will coexist. So what we are doing is we are mapping extensively our network. We expect there will be a period of coexistence and there will be some blending opportunities depending on the work we are doing on membranes and other technologies.

So there will be hydrogen and biomethane related upsides on the RAB, but on the hydrogen business unit, there will be significant potential upside as what we have in the plan now is just what we see as being in the money with no subsidy. So there is let's say 2 different pockets of potential upside, one is on the RAB linked to how the coexistence of biomethane, methane, methane with CCS, potentially CO2 because CO2 needs to be transported as well, and hydrogen all interplay. This is not something we will solve soon. I think we require a couple of years of working with regulators in Europe to understand what other TSOs are doing working with customers and understanding which technologies takeoff in which time horizon.

Then you asked us about our dividend philosophy. It is always the same, Javier. We don't think that over a long-period of time we should be growing the dividend more than income. We have come from extraordinary 4 years where net income grew a lot faster than we expected. This means that we have been able to pay a high dividend…a very high dividend and dividend growth and at the same time bring our payout as you remember from our

early discussions 4 years ago from a level where we were not so comfortable to a level I would say of absolute comfort today. So that 2.5% kind of aligns with our long-term growth outlook absent any of the upsides that I talked about. So there is no change in philosophy, no change in approach. We have financial flexibility potentially to pay even more, but I think it is right at some point to align the dividend growth to the underlying sustainable long-term net income growth.

When it comes to regulation and how the hydrogen market should be organized, I think electrolyzers will need to incentivized if this is in the form of putting them in the RAB or in the form of electrolyzer-specific incentive or in the form of integrated hydrogen...green hydrogen production incentive. We still don't know, we are active in a number of high level dialogues with European Commission, with different member states with their own institutions and regulators. And I think 2021, as I have indicated earlier, is going to be a year where a lot of collaboration is necessary to determine what is the best way to incentivize this key parts of the value chain. What is very clear to us is that we will only invest in this and other opportunities when we see predictable, visible returns that are higher or greater than what we can achieve on our normal regulated activities. I hope, I have answered your questions.

JAVIER SUAREZ: Many thanks.

OPERATOR: The next question is Meike Becker with Bernstein. Please go ahead.

MEIKE BECKER: Hello, everyone, thank you very much for taking my questions. I think I go with 2; the first one is, on your Slide 24 and 28, so it's essentially your international footprint and the new businesses. And particularly, I am wondering about the energy efficiency going into perhaps electricity a little bit and your expansion into China and India. So, if you could sort of like elaborate what you presented today in India and China and what plans or potential you see? And relative to what you doing today is there an appetite

to expand your footprint into electricity and I don't mean like operating networks or something. I am thinking perhaps appetite to accelerate or head somehow in the green hydrogen production for example in North Africa, which would help your core business, so that's question one maybe, there are 2 questions and one left?

And the second question is, quite simply on your efficiency, if you could sort of like elaborate what is happening in terms of efficiencies across the plan or...or is something has changed materially or is that just steadily progressing? Thank you.

MARCO ALVERA: Thank you, Meike. I will try to answer your first question, and then ask Ale [Ph] to step in for the cost of production and the efficiency program. So, on the new business, the...in India you may have seen we recently signed some MoUs. India is a market that has 2 very important trends; one is the strong desire to move from diesel to gas when it comes to transport. Just to give a number, India has most of trains running on diesel, India has 80 gigawatts of diesel-fired electricity generation units. So, there is a big opportunity to invest in the construction in LNG infrastructure, in LNG for transport in all those areas and CNG where we have developed and are developing niche technologies. So, we hope to be in that market with Snam Global Solutions and looking at projects to deploy our capabilities.

When it comes to electricity, if you take a project like the trains project that I mentioned, the train company simply expects to be delivered green hydrogen when and where and at the volumes that they require. So, we need to worry about producing it, transporting it, storing it, modulating it, and investing in the infrastructure to deliver that.

A big part of a program like this is around renewables to produce that green electricity. If the train company in this case wants to say that, it's 100% green hydrogen, the only way the only way to physically do that is to have dedicated renewables for this. So, we have several options. We can

purchase the renewable energy and then dedicate that to the electrolyzers. We can build in cases new probably new, energy needed as a volume to scale up. We can partner with the people who already have and who are developing renewables. I think the model is going to be a combination of all 3 where we may need to be investors, we may need to partner, and we may need to simply buy it from existing sources. So, its early as I mentioned to say, which form and which model these partnerships will take, what I can say is that, listening to my peers and other executives, I think there is a consensus building that there will need to be a greater degree of collaboration.

When it comes to North Africa, I showed the charts from Bloomberg that is very striking, their analysis is the same as others, the cost of moving green hydrogen to central Europe let's say because economics are the same is [indiscernible] via pipeline. So, this offers very significant opportunities. I don't think this is eminent because we don't need those volumes of hydrogen today, nor do we need them by 2030. But, I think that's a really concrete long-term opportunity that we are beginning to work and it should continue to be developed. Ale, on...

Sorry, looking at my notes Javier, I didn't realize you...I missed to answer the fully amortized pipeline. So, I don't have much to add, we have said in the past that we were in dialogue with the regulator. I must say that, since that green gases have become the consensus and so our network long-term life of the network has become now the consensuses in Europe with the commission putting that in writing with the Italian and the other international strategies, putting it in this highlights that the gas infrastructure is the core element of the carbonization. That alters a little bit the time horizon with which we look at these substitutions and the discussion is no longer just about give me an incentive to postpone, but it's naturally entering into as the conversation with you as to, what is the future going to look like, what do we need to replace by when, and so it's a more complex discussion that we will

not close this year, that we expect will continue into 2021. Ale, over to you for the cost efficiency targets.

ALESSANDRA PASINI: Thank you. On the efficiencies, we have slightly increased the target vis-à-vis last year plan and anticipate the year by which we intend to achieve such targets for 2022 versus 2023. As, it's kind of the same story as we said, it's a long list of the small initiatives that although instilling into the company a disciplined approach on how we spend money on the things that are really necessary and effectively all of this discipline has led to create the room on one side to offset synergies and one-off costs that we inherited from 2016, but the only asset side to create flexibility to accommodate for the investments of the start up or I mean businesses without penalizing the overall for profitability that we have delivered to our shareholders.

Giving a little bit more detail, the €70 million remains let's say 60% to 70% related to corporate cost and rest to operation. And as an additional element of information, that means that if you look at our core perimeter, these reduction of costs will allow us but the end of the plan to have slightly lower cost in nominal term whilst at the same time, as I said, given the presentation, revenues and cost for the new businesses would grow to deliver this €115 million EBITDA that we have indicated by 2024.

MEIKE BECKER: Thank you.

OPERATOR: The next question is from Harry Wyburd with Bank of America. Please go ahead.

HARRY WYBURD: Hi, good afternoon, everyone. Thanks for taking my questions, so, and first one sorry to replace again this...So I had a question on the pipeline replacements. So, I just to understand a bit more about how it's decided , which pie lines you can actually replace. So, I guess in some ways presumably you would want to replace as many as possible to see [indiscernible] pipeline and just get an OPEX allowance on it just fully

amortized obviously a few place [ph] you get your CAPEX and your return on investment and your OPEX allowance. So, I guess when you go into these negotiations presumably you are sort of in a mind it push for more replacements. So, I just wanted more actual criteria, is this the regulator or maybe the government use to decide which one [technical difficulty] and given that so much, you know, focus on infrastructure investment and GDP multiples and there is scope to actually to, actually more pipeline replacement then you are currently assuming in here at about 2.5% or over 2.5% RAB.

And second one is very big picture, I just…given you've got your affiliate investments in gas transmission, you've got your sort of new energy technology businesses, you've got your new hydrogen technology businesses. In total, if we just look at things that are not to do with gas transmission, you know what percentage of your net income are these investments going to be in sort of 2024 and perhaps even in 2024. If we could just understand how much of the business over the next few years is going to gravitate towards kind of non-gas transmission type activities?

And then third one, again a very big picture there, you know looking at things like De Nora, you've mentioned it's got very high growth rate clearly it's in an area that's getting huge amount of investor attention, huge targets, clearly a lot of growth potential. But I guess, when you're combining that business with your core gas transmission business, and is there a risk that you get end up with a conglomerate discount here, you know, these are very, very, very different business models, and I know you mentioned you're sort of spinning…potentially spinning this asset into a separate investment fund. But you know, is there a case where you are even going further than that and saying that we need to have an explicit subsidiary perhaps just to house all of these technology type investments who have a different profile to the transition business so that they just get more accurately valued by the market, because, you know I guess at the moment there's a risk there if all of these things get lost in some of the parts?

MARCO ALVERA: Okay, thank you Harry for your questions. So on replacement, there is no specific rule. We are in a very I would say comfortable place because we've had a very prudent approach to replacements. We've only replaced what we felt was absolutely necessary and the regulator really appreciates that, we could have replaced more and we could replace more, and we could be here today with a greater growth plan for replacements in the next 4 years and beyond. So we are believers in doing what's good and right for the system, and not look at our short or medium term interests. As I mentioned, looking at today and looking at even 2040 and beyond, the cost of transporting energy in our system is really, really low, in percentage terms today, and in percentage in relative terms tomorrow. So we don't have, let's say pressure from an impact on consumers point of view.

At the same time, we are not using any rhetoric to say that we should boost replacements to boost GDP. We are however saying that projects like Sardinia are absolutely necessary to deliver cheaper and more sustainable energy to people in Sardinia, who are now still living off diesel and GPL to heat their homes. So that's really what's governing our discussion is a prudent approach, a systemic approach and what we have is a 10 year plan that we present on a rolling basis, and what we provided until 2040 is a kind of continuation of that trend where we replace what is strictly necessary. Of course, as time goes by, and as Italy has some own geological complexities, some of what is necessary becomes greater as the overall network becomes older.

When it comes to affiliates new energies and conglomerate discounts, so for the new businesses, I mentioned a target of €150 million of EBITDA. These are startups that are already breakeven today if you assumed a breakeven now and get to a €150 million; you get a sense of the very steep trajectory they are on. We have invested a lot less in these businesses and what they would be worth today and that worth…that value is going to become visible as they get to meaningful numbers towards the end of the plan.

We provide aggregate view for our associates that will reach from a net income contribution, because EBITDA is not relevant there over €200 million, I think it is around €220 million by the end of the plan. So if you add up a €150 million of EBITDA, €220 million, I think you get to something which is increasingly meaningful. Then the new businesses also add RAB in a way because every biomethane, every CNG, every LNG connection adds to the RAB and they also contribute to the green gassing of our network as the new businesses succeed, new gases succeed and our network doesn't become a transition infrastructure, but becomes a forever infrastructure that makes that whole replacement discussion a lot more interesting. So, I don't think we are at the point of thinking of conglomerate discount, I think this new energy investment platform that we talked about is already a very disciplined ring-fenced, let's say, vehicle in which will plays a big part of De Nora that is really a very attractive asset in itself and really it can help us expand our hydrogen leadership in many respects.

HARRY WYBURD: Okay, many thanks.

MARCO ALVERA: Thank you.

OPERATOR: The next question is from Alberto Gandolfi with Goldman Sachs. Please go ahead.

ALBERTO GANDOLFI: Good afternoon, and thanks for taking my questions. The first one is, on hydrogen, I was wondering, I mean, you've been a key driving force of the debate on the hydrogen in Europe, and one of the key funding members if I can say of the EU backbone project, which is above €40 billion just for the reconfiguration of pipes and compression stations without even calculating storage. So I guess, my question is, can you share with us what percentage of this figure could be attributed to your core market in Italy, and should we just assume it's about 15% of that and then we put maybe storage on top. I am just trying to clarify when you say 70% of your pipes is hydrogen

ready, I wonder so what investment need is on the compression station, is it on storage, and is it on different type of pipeline that you need to reconfigure. So maybe combining the 2 and giving maybe for Italy would be great?

The second question is on the non regulated businesses of €150 million EBITDA. Would it be possible maybe to break down just the main big components, just the 2, 3 largest, and then perhaps give us an indication of what margin net income to EBITDA you'd be expecting from those? And last on RAB growth 2.5% slower growth per year very helpful number. Thank you for that. Can I ask you what inflation assumptions have you baked in that type of goal? Thank you so much.

MARCO ALVERA: Thank you, Alberto. So on this €40 billion, I'd be…I get this question a lot. I'd be very tempted to just work out a percentage number that will be an easy solution, but this €40 billion is a kind of a static figure. This assumes we go from where we are today to a fully hydrogen world and says, what do we need to change. What happens in between is incredibly complex as I was trying to explain, we will have an overlay of a bio methane, methane, CCS methane so kind of blue hydrogen, CO2 that needs to be transported, as well as, hydrogen that starts from zero and will increase gradually first and blend in, and then on its own, and no doubt we will see the development of dedicated hydrogen pipes to anticipate the overall market to get perhaps the specific districts, and the big question still to be resolved is what happens in cities, what happens at the distribution level, and at what pace.

So I am afraid that we are working very hard. I don't think we will have an answer soon, because we need to map all the bits of the puzzle to get there. But if you think that in our guidance that we gave on 2040, we said that with 2.5% growth we are still left with 11,000 kilometers of pipeline that eventually will need to be replaced in a way sooner or later. If you take the numbers we gave in the past is between 1 and 3, we are now using 2.1 or 2.2 as an average point, you can easily get to a CAPEX amount potential for Italy that is not related to that, €40 billion if you see what I am saying.

So there is a lot of moving parts, I think the bottom line is that we see that RAB growth by the way has 1% inflation embedded in it at 2.5% excluding anything to do with hydrogen, and then we see different bits of hydrogen opportunity as we approach new districts, as we build we or other people build, electrolyzers that may or may not be connected to our pipe, and so it's a much more complex and dynamic picture. Of course, Snam has a big share in the European market between our Italian and our associate pipelines. So you can easily work the kind of that percentage of that €40 billion, but that won't get you to what you're trying to calculate which is the real kind of bottom line CAPEX.

So in terms of the new businesses, the way that you can look at it is, I've said hydrogen will reach breakeven, I think that's a heroic effort, because in such a new market in such a short period of time, and I think the breakeven to be fair to the business unit, let's look…let's assume its breakeven at the gross margin level. But that's already quite heroic because it's with no subsidies. Then we have the other businesses where biomethane we said double-digit return and you have the CAPEX amounts there. So I think you can easily work out where we are; energy efficiency and mobility you can use as a floor or risk-adjusted regulated returns. The margins are good; of course, they're not as good as the regulated margins at 80%. But Ale, correct me if I'm wrong, I think behind those EBITDA figures, we have north of €600 million of revenues or something like that maybe between €600 million and €700 million of revenue. So it's good margins not as rich as the core business.

ALBERTO GANDOLFI: Marco forgive me for the follow-up. I was wondering on the new businesses, if you can help us also…this is very helpful, thank you, by the way, what would be net income from businesses? And maybe one comment, if you allow me, so I shut up. In a world where lots of companies assume a normalization in the world, I mean, it's interesting to see you're

using 1% inflation, some people might argue it could go back to 1.5% or 1.75%. So essentially, long-term, it's a 3% drop of growth?

MARCO ALVERÀ: Okay, thanks for the comment. We'd like to stay on the prudent side. Ale, do you have anything to say on the…I think net income is around 50 maybe, where you have biomethane with higher D&A and energy efficiency is again…has some amortization as well. So I think you should think about it as kind of €50 million net income, a bit south of €50 million.

ALBERTO GANDOLFI: Thank you.

MARCO ALVERÀ: Thanks.

OPERATOR: The next question is from Enrico Bartoli with Stifel. Please go ahead.

ENRICO BARTOLI: Hi, thank you. Good afternoon. First of all, I have a general question on hydrogen, there are lots of discussions within the industry what kind of a model the hydrogen industry would take, if there would be development of capacity, electrolyzer capacity spread over the territory or a big capacity concentrated and then the production of hydrogen to be transported to the production site. Also, how much will be produced in Europe and the opportunity to import from, I see from the Slide 15 from North Africa but you mentioned also in the past the potential from the Middle East. So I was wondering what is your view or your possible…the possible scenario that in which this industry could develop over the next year?

And second question is related to Sardinia, I was wondering how much you include in terms of CAPEX related to the investment in Sardinia. And recently, there were many discussions about actually the backbone if needed or not, I see that you include already some CAPEX there, if you can update us on the state-of-the-art on this topic?

And the third one is on the associates [ph], on the guidance that you gave a stable contribution, in '19; the contribution was around the €200 million, if you can give us a more precise hint on what you expect in 2024, if this is the level that we can assume? Thank you.

MARCO ALVERÀ: Thanks, Enrico. So I will answer the hydrogen model in the backbone and then I will let Ale deal with the associates and with the breakdown of Sardinia. So I think it's early to tell. I first see a model where we will both need to import hydrogen from outside of Europe because I expect that [indiscernible] will continue and the gigawatts of new renewables that are necessary, I just don't see where we will build them. There's a growing opposition to renewables, if we look at Germany, they have to get out of nuclear, and they have to get out of coal. And they are not having a lot of growth in their own domestic renewables. So there will be an opportunity and a need to import significant volumes of hydrogen.

So when you start thinking of import, you're like, what do we import from? Well, like for natural gas, but even more because it's less dense and much more expensive to liquefy, the cost advantage I talked about is 1 to 10. So wherever possible, we will look for places and parts of the world where we can pipe it, whether it's Eastern Europe, whether it's Southeastern Europe, whether it's the Middle East with new projects, whether it's North Africa, and the same will happen for other parts of the world where there are significant spaces available with renewable potential, whether it's wind or sun. And of course, this is also true for offshore wind; the potential is to create aggregate hydrogen and transport.

I also see a model where if someone is building a hydrogen refueling station in a remote area, eventually over time, if there's space, it will become interesting and cheap to produce dedicated renewables for that petrol station. If there's a significant area, which is neighboring, if there's maybe wind turbine, that's next door. I see residential projects that have hydrogen at the home, manufactured at home with a solar in the summer. So I think

we will see an emergence of several models. And I think there's space for all these types of models. Of course, what's important is that we don't make any bets too early in the game. And I think Europe is really coordinating the efforts by having a lot of conference calls, a lot of dialogues, a lot of private/public partnerships. And, I think [indiscernible] is a great investment mechanism because it forces European countries to collaborate and to share.

On the blue versus green, as I mentioned, I think there will be the necessary of having the…of having blue hydrogen to get to market going. And certainly Germany and the U.K., have told me that they're looking at having significant amounts of blue hydrogen in the mix for a number of years, which is not a short period of time in their intentions. So I think Europe will need to again move in a coordinated way.

When it comes to the backbone, we are bringing gas to Sardinia, that's the good news. It's happening by 2024 at the latest, we have the opportunity to have a project now that doesn't have the opposition that you are referring to. We are not talking about an extensive, a point-to-point backbone. We're rather talking about parts of backbone that are built around the clusters of demand with potential offshoots, whether it's dedicated smaller lines or trucks to deliver gas to areas that maybe have very low demand and so LNG is a good way to move gas around as well. So we have that opportunity. Ale may be if you can give more details on the associates…

ALESSANDRA PASINI: Yes, I think you rightly refer to approximately €200 million of contribution from a source of in 2019. These were also including, as we commented in the past, one-off effect, which were very significant for DESFA, which accounted for approximately €30 million, which…as we said, since the very beginning, the normalized contributions for DESFA is something that we've always expected to be in the €10 million to €15 million. So we are benefiting from an incredibly positive scenario, which is accelerating tariff recovery from the past, which will normalize in the course

of 2021 is actually…as I commented before the first year where this is going to happen. And the same, when it comes to Teréga there were one-off effects which was normalized; take another €10 million, €15 million off. So if you take those numbers, you normalize for what are one-off. And then, you have the gradual reduction that we've commented on the Austrian. Then you have, of course, the positive contribution of TAP and of Adnoc. And overall, the contribution of our associates is as Marco said before around €220 is like above that number. So it would go up as a portfolio, but with different contribution in 2024 versus what we had in 2019.

OPERATOR: The next question is from Jose Ruiz with Barclays. Please go ahead.

JOSE RUIZ: Yes. Good afternoon, everyone. And thanks for taking my question. I just have 2. The first one is, you mentioned €500 million in CAPEX in digitalization. I was wondering if these are RAB related. I'm guessing the point, I want to get is from your €6.7 billion investment plan? How much is not RAB related?

And the second question is a follow-up on something you said before. You were mentioning 2021 a critical year to find, if I understood correctly, incentives for electrolyzers. My question is basically, when is the debate [ph] about regulation on infrastructure…hydrogen infrastructure going to take place after that 2 years later? Thank you.

MARCO ALVERÀ: Thank you, Jose Ruiz. So the technology investments of €500 million are in the RAB. And what's outside of the RAB are the €700 million for the new businesses, that's our CAPEX breakdown. When it comes to hydrogen regulation, I think in a normal situation it may take 2 to 3 years. I think there is a strong desire from very top policymakers in Europe and member states in around the world to accelerate this. So I see very an rapid pace. I see a lot of efforts to really come to some coordinated views. There's…there was a conference call last week. There's another conference call this week. So

hopefully by the end of 2021, we have already greater visibility on the direction of travel. Thank you.

JOSE RUIZ: Thank you.

OPERATOR: The next question is from Olivier Van Doosselaere with Exane. Please go ahead.

OLIVIER VAN DOOSSELAERE: Yes. Good afternoon. And thank you very much for taking my questions as well. I have 2 topics on which I had questions. First one is on the energy transition businesses. So you mentioned €720 million of CAPEX on that one. But I wonder [indiscernible] about the investment in De Nora, you have got something separate; I think it was €400 million that would come as well. And then last week, you also mentioned around €200 million to be invested in this fund that you would like to launch next-year, is that something separate that we should add on top as well? And I guess, [indiscernible] the question you highlight for this…how your plan doesn't include potential opportunities that could still emerge from the market as actually subsidy schemes get designed on such items? How much are you actually willing to invest overall in this type of non-regulated activities in the current period?

And then a second topic is on blending. If I understood correctly, think you mentioned that Italy was targeting 2% of hydrogen blending in the gas mix by 2030, which may seem like a low number. I think you had in the past mentioned that you saw that it could be possible to go to 10% or even more. So I was just wondering if it would be just 2% for Europe as a whole, would there be enough demand by 2030 to absorb the 40-gigawatt of electrolyzer capacity? And certainly, if we had also what should we import from the other 40-gigawatt outside Europe, that and just based on the on…for hydrogen industry you highlight perhaps potentially and in phase.

And then relating also for you, if the blending is only 2% by then, would you then caution people in being too optimistic in terms of how much there would need to be an acceleration or replacement of your fully amortized pipelines in the mid-2020. If at the end of the adoption of hydrogen proves to be much more gradual? Thank you.

MARCO ALVERÀ: Thanks, Olivier. So the De Nora and the energy transition platform are not included. So you could add the De Nora contribution and €402 million of cash-out sometime in 2021. That figure…that you've mentioned for the investment platform is ballpark right? We won't know until we get there next year. But you shouldn't double count, because we've also said that part of De Nora would be used as a seed asset for that fund. So money will go out and money will come back in a way, I hope that is clear. So we don't have any targets in mind. And we won't be setting any targets for these new opportunities, because it will depend on what opportunities we see over time and we will update you as they materialize.

The numbers we've given do not have any upside coming from blending, as this is just you know, highlight that hasn't been yet detailed as to how that would work. So blending at 2% would be an upside to our numbers, if there's any business for us in the blending that is not simply just receiving the blend, which could be the case. When we look at 2%, the great news that we're able to deliver today is that our experts with the leading universities have given us a green light to accept 2% blend in the storage.

This is the first time that we believe this happens in underground gas, depleted reservoirs that we use for natural gas storage. And so, this opens the door to doing the 2% blend in the network, because as you know, the network and the storage sites are integrated and interconnected. So would have been impossible to accept 2%, if the storage wasn't able to accept that 2%. So that's our bottleneck. The pipe itself could take, as I said, even up to 100% on 70% of our infrastructure, and then we would need to replace

the valves. The storage today can take up to 2% without changing anything. And we're continuing to investigate and explore what we can do.

You're right in pointing out that 40-gig is very ambitious. And now our job as mid-streamers, this is what we've been doing in the 70s, in the 90s. When the gas market developed in Europe in 2 waves, we've been trying to build supply and demand at the same time. And so, we have to go back to our roots and try to help the system, do the same talking to the suppliers of renewables who are upstream, and consumers of hydrogen who are downstream of our infrastructure. Thank you.

OLIVIER VAN DOOSSELAERE: Thank you very much.

OPERATOR: The next question is from Bartlomiej Kubicki with Societe Generale. Please go ahead.

BARTLOMIEJ KUBICKI: Hey, good afternoon. 3 questions if I may from my side. Firstly, on your non-regulated, of course, a lot has been said already, but I wonder what are the downside risks to your €250 [ph] million EBITDA guidance, I mean, especially in terms of competition, in terms of a pressure on margin. A lot of your peers is trying to get into energy efficiency. I wonder whether you are seeing any pressure on profitability already or the market is growing to the extent that it can accommodate their many players, so that'll be my first question.

Secondly, I wanted to ask you about your cost of financing, you're assuming 1.2% which to me seems to be quite conservative given the fact that your longest maturing bonds 2024 yield is something like 0.38%. So I wonder why are you so conservative and also in your financing whether you can tell us, what is the advantage in terms of cost of financing…of the sustainable financing, given the fact that yields are so low. And thirdly, on your EBITDA guidance 3% CAGR until 2024, €150 million will come from non-regulated; it looks like the regulated part on those numbers will grow at something like

1.5 1.7 percentage points. So I would like you to confirm or challenge this number or just ask what do you assume. Thank you very much.

MARCO ALVERÀ: Thanks for your question. I will take the first and then Ale, I will leave you the second and third. So the businesses are indeed competitive and when we started these businesses, we were almost alone in certain respects and certain sectors and as we grow and as markets have grown, competition is indeed intensifying. There is a significant opportunity for everyone to have an important part the pie; it's growing much faster than our top line is growing. So this is not about competitive…competition squeezing margins. This is about a market that is that is growing very fast. The incentives and the subsidies will in a way, increase the market even further, when it comes only to biomethane, and to hydrogen in the way that's already happened for energy efficiency with the new fiscal incentives, so this will be competitive segments, but in a way once the incentive is there and once you secure the contract, it's not like you really have done something.

Now, of course, €150 million of EBITDA starting from a very low base in just 4 years, is a very, very significant ramp up that I haven't seen in many other sectors. So, we've been ambitious in our targets, there is room for mistakes, there is room for delays, we've already seen a delay in 2020 on biomethane, because of COVID. And so, this is an area where we are setting ourselves, ambitious targets. There is downside risk to those, but there's also potential upside opportunity as those incentives firm up. Ale….

ALESSANDRA PASINI: On the cost of funding, we clearly take advantage of the lower curve that we see going forward. But as always, when we forecast long-term, we don't end up the same every year. We don't factor the fact we may continue to do some treasury optimization, if the market remains as accessible as it is today and that could lead some,…lead to some room for further improvement versus the 1.2 average that we said in the plan, it's an average, so it's slightly higher at the end and slightly lower at the beginning. We will continue to be very opportunistic and proactive on managing our liabilities

and be reassured that we are not going to be sitting on the plan that we've achieved to-date, and we will continue to do…try to do something better than that.

On the sustainable funding, that's an ongoing debate whether sustainable funding will deserve and call for a cheaper cost of funding versus traditional funding. I think the jury's out, my inclination is to think that over time people that will not be as focused and committed to sustainability and sustainable planning and have ESG at the core of their strategy may have less competitive financing terms, than those that do versus a situation where vis-à-vis where we see the market today, our cost of funding would get a direct benefit.

But, of course, either way, I think the important thing is our commitment to sustainable…to growing our share of sustainable financing, and should the market evolve towards giving a premium for that, of course, we will seek to capture that as part of cost of funding.

On the EBITDA, I think you're right, I mean, there is a slower pace at the EBITDA level versus the RAB growth. I think one important element is the…is related to the Sardinia project that we discussed before, which on the regulated side effectively pushing beyond the plan a significant contribution in terms of EBITDA that actually was in the plan last year. And so, that's already a good part of it. I think that it's also important vis-à-vis the CAGR that we had the last year to keep in mind that we are starting from a different base and simply rolling in, starting from a higher base and having a long run…longer term…longer year also taking away parts of the growth that we had last year. But I would say, in the regulated space, Sardinia is the key project that we see moving from within the plan and beyond the plan, as Marco explained before. And the fact that we are investing more also as always we have a delay in the timeline also a recognition of the full contribution of CAPEX, because depreciation related to CAPEX comes in our revenues, with 2 years of CAPEX, so in a CAPEX plan, which is seeing

a significant increase, that's something that, as it is backhanded is impacted…is impacting our EBITDA CAGR.

BARTLOMIEJ KUBICKI: Okay. Thank you.

OPERATOR: The next question is from Antonella Bianchessi with Citi. Please go ahead.

ANTONELLA BIANCHESSI: Hello, good afternoon. So 2 questions on my side to understand, if your plan is through the supporting the environment and customer. The first one, every year, you are revising CAPEX, largely due to maintenance and replacing. So can you tell us what are you discovering that is just defined this rise in investment. So, if the replacement are needed, and deliver a benefit for consumer, is the Snam network particularly obsolete, it's dangerous, or it's largely down to the regulatory situation with no real benefit for consumers?

The second question is on the hydrogen coming from Africa. It seems to me, a bit illogic from the EU [ph] to basically fighting CO2 emission from subtracting [technical difficulty] renewable generation in Africa. So, how does this make sense in the context of the global decarbonization, which are the benefits that you think you are now getting…this potential project will deliver to the overall picture and also to Africa. And also, I'm hearing about this potential, I'm not hearing anyone having a precise project in terms of developing renewable capacity for this purpose, and meaning from the transmission company, would you consider to invest directly in terms of renewable generation in the area?

The third one is on the blending. I mean we know that the kind of electricity generation is still 50% coming from that. So if you divert renewable resources to produce hydrogen, to put it in your pipe, this will end up leading to more CCGT production, so…and worsening the overall metrics of Italy in terms of emission, so any thoughts about that? Is the overall implication of

your action included in your assessment, when you're looking at the ESG targets?

And then finally my last question is on the contribution, I need the number on the contribution of the equity participation in 2024, so if you can look and repeat it? Thank you very much.

MARCO ALVERÀ: Thank you, Antonella. So I will try to answer your first 4 questions and then Alessandra will answer your third. Can you repeat your third…you want to know the contribution of what?

ANTONELLA BIANCHESSI: Of the equity participation to the numbers in 2024, sorry?

MARCO ALVERÀ: Of the international associates?

ANTONELLA BIANCHESSI: Yes.

MARCO ALVERÀ: Okay. Let's start with the substitution which I have now said several times. The plan we have in the 10 year…the numbers we have in the 10-year plan are shared with the regulator and with the government. That's very visible. It is online. There is nothing really new. If you look at Page 22 that we provided just for this purpose, you see how because a lot of the infrastructure was build in the 70s. This is a recent issue. Until 4 years ago, there was no substitution and we have always said that substitution is ramping up. We have now reached a level where we predict as 1,200 kilometers over 4 years which is not enough to contain what is aging. As mentioned, we take a very prudent approach and we replace what we feel is technically necessary. We run cost benefit analysis which is, of course, very positive when we look at the impact of these replacements. And as I mentioned the relationship and the dialogue with the regulator is very constructive and very transparent as we think that it should be so we are not trying to accelerate anything beyond what is strictly necessary.

When it comes to global decarbonization and North Africa, we have nothing…zero related to any of this in our numbers, and I don't see it as being meaningful in the short term. When I hear other countries in Europe who are very hungry, perhaps more than Italy for green hydrogen and they are looking at their options to source big quantities of green hydrogen. They are themselves in advance discussions with many countries in Africa…West Africa, North Africa and the Middle East and this is all publicly available information.

So when they develop these projects, all we are saying is based on Bloomberg's work and other works that it is 10 times cheaper to deliver green hydrogen via pipe than it is to liquefy and to put it on a ship. So the benefit is significant because it could be for many countries the cheapest or in some cases the only way to de-carbonize. Of course, like any development activity in emerging countries, it would have to be done in a constructive approach; in a win-win approach as other companies have been doing.

Now, the idea of building renewables in the deserts is not new at all. There have been failed attempts for many decades. We have now the opportunity to envisage markets where you are no longer trying to move electrons over long distances, because to move electrons has the same type of cost disadvantage as to liquefy the hydrogen. So the real opportunity here which is unleashed by the hunger for hydrogen in Europe by that need to have 40 gigawatts of demand, by that need in certain countries to phase out coal and phase out nuclear to really give us the opportunity to think of our network as a pathway for renewable energy. This is by far the cheapest way to move and to store renewable energy from long distances and to deliver it where and when necessary. Let's also remember of the need to have winter renewable energy available for heating at times when the sun is not shining at its best.

When it comes blending, again, nothing about blending is in our plan, nothing about blending is in our long term assumptions in the numbers that

we share with you today. Blending is not the most energy efficient way to consume green hydrogen. If we had factories and busses and trucks and homes available to take green hydrogen today that would be from an energy perspective, a cleaner and better use of green hydrogen. However, if we look at the opportunity and the need to build up supply and demand in parallel manners, blending become by far the cheapest way to accommodate green hydrogen to being to take it into system, because up to 2% as we said today there is no need for incremental infrastructure, no need for additional investments. So this becomes a demand pocket for green hydrogen at zero cost that contributes to de-carbonizing the gas consumption, the gas grid, contributes to making the grid greener, but is not necessarily from an energy perspective the best way.

Ale do you want to…sorry the green hydrogen in the blending would be produced with dedicated renewables, so it wouldn't necessarily be produced from electrolyzers attached to the grid. When you think about the electricity grid, you can in Europe assume an average wholesale electricity price of over €50 per megawatt hour. When you think about renewables in Portugal, the latest price reference was around €11 per megawatt hour. Now, the load factor is there. You need to levelize [ph] out the costs, but when you think about big volumes, it is more convenient to think about going direct from solar to hydrogen than going from solar to grid and from grid to hydrogen, especially if there is meaningful distances involved.

ALESSANDRA PASINI: Yes, On the contribution for…from our associates as you said before the overall contribution by 2024 is expected to be around €220 million or slightly above that number including the phenomenon that I discussed earlier in terms of normalization of the contribution from DESFA and Teréga and the factor…the impact of the termination and expiry of long term contracts that are going to be replaced by short term contract; although, backed by stable gas flows when it relates to our Austrian Associates.

MARCO ALVERÀ: Antonella, have we answered to all your questions.

ANTONELLA BIANCHESSI: Yes, perfectly. Thank you very much.

MARCO ALVERÀ: Thank you.

OPERATOR: The next question is from Stefano Gamberini with Equita SIM. Please go ahead.

STEFANO GAMBERINI: Thanks. Good afternoon. I have 3 questions if we may. The first regarding your investments for rate of fitting…hydrogen rate of fitting of your pipes, 50% of the total could be considered in term of cost benefit analysis as [indiscernible] creation for the sector. My question is related to the fact that the regulator stressed that for developing investments CBA should be above 1.5 times. So how you can consider this kind of replacement investments also on this point of view clearly. This is if you got some exercise on that, because my topic is to understand if in the future the regulator will introduce the [indiscernible] regulation, do you see some risks for your replacement investments or in this case could be now at risk.

The second question regarding the allowed WACC for [indiscernible] in 2022 will be update, you expect a flat work, but considering the actual…the current situation of also the spread between bond and BTP. Do you see the risk of reduction and in this case, how you can offset the reduction, what I mean is do you expect that the regulator could introduce some output base incentives for your business, and/or alternatively, do you have some other contingency plan for this risk.

The third question regarding new investments and acquisition in energy transaction, €07 billion by 2024, but you stressed that in the forthcoming years, new opportunities should arise. Could you give us an idea of the flexibility that you have considering your financial targets to keep that on rather below 60%? So, how could reinvestment in forth coming year or increase these investments up to 2024? Many thanks.

MARCO ALVERA: Thank you. Thank you, Stefano. So, the current CBA, cost benefit analysis methodology assumes certain values for C02 reduction. Those are already included for instance when we look at our dual fuel compressor stations. In the future I expect the C02 component will become more heavy, and the way the CBA will work I expect is to compare the hydrogen retrofitting to alternative ways of delivering green energy to that customer, that community, that city or whatever the situation maybe. So, the model is already there, and I think C02 will play an increasing role in some type of CBA methodology. The...some countries not there yet, but some countries are discussing introducing some premia when it comes to retrofitting. We are not there yet, and I don't know where that will take. We don't hear any discussions of Totex [ph] yet as we used say 3 years ago when it was more trended to talk about Totex is that Totex could be an opportunity more than a threat given everything that's going on for us. The WACC, we have taken the view that so long as we tell you exactly what the assumptions are, then everyone can plug into our case their own view of inflation of deflator of spreads because otherwise the risk is that we keep changing the assumptions and it becomes very difficult and challenging for you to compare our plan year-after-year. Of course if we were to mark-to-market today, there would be a decrease in the WACC, we are working on output based incentives, a big part of those were related to the substitutions that, I have mentioned, have been progressing but that will shift from 2020 into the later parts of 2021.

So, I wouldn't see it as something that is compensated that we have a backup plan. I think the WACC is just a function of where the macroeconomic data will bring the WACC to, but we are constantly in discussions with the regulator to look for win-win solutions that help consumers improve the quality of service and get a better service for what they pay for.

When it comes to the investments, as I mentioned, it's earlier to provide any guidance. We have that 60% level, we are in continuous dialogue with our

rating agencies, of course, 60% means that we need invest in assets that has the same risk profile or have some form of RAB like TAP it is not a RAB base but the rating agencies see it as a sort of a RAB. So, that's the flexibility we have right now and then we could potentially down the line envisage some disposals of non-core stakes if we see greater and more attractive investments opportunities as well. Thank you, Stefano.

STEFANO GAMBERINI: Thanks.

OPERATOR: The next question is from Javier Garrido with JP Morgan. Please go ahead.

JAVIER GARRIDO: Hi, good afternoon. Thanks for taking the questions, [indiscernible] for such a long call, and I will try to be brief. First question is a clarification on what just you just said, so far this has been by mistake international assets but you haven't really sold any meaningful stake? It's a situation like TAP, a potential candidate for disposal given that now it's being de-risked and could be attractive for investors with very low WACC percentage.

And then, the second question is more a philosophical one, when you started your initiatives in new energies, in biomethane particularly and also in hydrogen, my understanding is that as you were particularly willing to perform the role of an enabler of those technological developments. But, I can see now, you seem to be growing your ambitions, is there not a potential conflict of interest here and this in the medium-term run particularly with the regulator, some pull [ph] in the planning of infrastructure in the decision on where to invest in regulated asset, if hydrogen where to be regulated for example, or a potential conflict of interest with the potential plans for, for this businesses. I would like to understand, to which extent do you have ambitions to grow these new businesses as an alternative for an additional business line versus your core regulated business? Thank you.

MARCO ALVERA: Thank you, Javier. So, I wouldn't comment on specific assets, but as you highlighted, it's certainly true that there are some people out there with very

low WACCS that offer attractive returns or attractive premia on some of our assets and some of our assets are very desirable and we have received as is customary several approaches. Right now we consider our portfolio to be very attractive as we have described in the course of this presentation. I was just hinting to the fact that if we see greater investment opportunities with greater risks adjusted returns than assets we may have...we may consider to shift capital from those lower return assets to higher. Now, the asset that you mentioned is top performer with above 10%. So, ideally, we would add more of those types of assets with those types of risk-adjusted returns which are significantly higher than our regulated returns to our portfolio. And TAP is a great example where not only we have contributed to its delivery on time and on budget, but we've also made contracts with TAP from our Global Solutions subsidiary to provide very valuable and precious services for the benefit of TAP and its other shareholders, but also for profits to Snam.

When it comes to your philosophical question, we already have potentially that issue like any other utility that also owns networks whether its gas or electricity networks at the distribution or transmission level anywhere in the world. Our regulated businesses are ring fenced, we already operate our biomethane and CNG activities for example in Chinese world manner, so that's there is no transfer of information from one side to the other, I must say, it works well.

We are working on the assumption that these are still very small activities compared to our overall business. And so, there is a sand boxing approach that Europe is taking to a lot of these businesses. The question will arise maybe in a decade or so if we end up having very significant business positions how to deal with them bundling. And here there are several debates ongoing in Europe, there is people saying that the gas restrictions should apply, there is other people saying that because hydrogen needs to take off the hydrogen and bundle the nature gas unbundling directives were built for other purposes and should now not be applicable to hydrogen. So,

again I think in 2021, we will see what that longer-term outlook will look like, but for now we are operating like many I would say most other utilities making sure that there is no conflict of interest and if any arise, that we manage it properly as expected. Thank you for your questions.

JAVIER GARRIDO: Thanks very much.

OPERATOR: Mr. Alvera, Ms. Pasini, there are no more questions registered at this time.

MARCO ALVERA: So, thank you all very much for your attention earlier and for your very interesting questions and have a good day. Thanks. Bye.

ALESSANDRA PASINI: Thank you. Bye-bye.