



energy to inspire the world

2030 Vision and 2021-2025 Plan Call - Conference call

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MARCO ALVERÀ: Ladies and gentlemen, good afternoon and welcome to our Strategy Presentation. Over the 6 years, we've reshaped Snam in 4 main ways. We've made Snam simpler, leaner and faster. We've removed organizational layers up to 4 in certain areas, and we've hired or acquired 1,396 new colleagues that bring new excellent skills, particularly in green energy. Great people are going to be a key scarce resource in the race to zero.

Second, we've enhanced the value of our assets and secured their role in the energy transition. Snam has taken the leadership on a hydrogen readiness, designing and carrying out tests for both transport and storage, and future proofing our assets and investment plans.

Third, we have expanded our playing field, launching new ventures in hydrogen, biomethane, energy efficiency and sustainable mobility. Fourth, we've expanded our geographical footprint.

The assets we've acquired have enabled us to establish partnerships with key investors and energy companies that generate superior returns and provide opportunities for additional growth in areas of the world with the best renewable potential, for instance, in the Middle East. And we've done all this, while continuing to cut costs and grow. We have increased investments in our core business and earnings per share by around 50%, and we've returned almost €5 billion to shareholders through dividends and buybacks.



As a result of this repositioning, Snam today is in a sweet spot. We have solid near term growth in cash flows, and we have the assets and competences required to excel in the energy transition, providing accelerated and superior long term growth. Today, we're announcing some breaking news that will underpin our future.

First, our vision to create a 2,700 kilometer hydrogen backbone before 2030, the first tranche of a national hydrogen infrastructure, which we expect will be regulated at a premium, compared to today's returns.

Second, our acquisition of the TTPC/TMPC pipeline, which carry natural gas from North Africa into Italy. These will be key to unlocking the vast potential of North African green hydrogen production, feeding into our H2 backbone and through Italy into Europe.

Thirdly, the tests that we've carried out to show that our 17 billion cubic meters of gas storage capacity can hold up to 100% of hydrogen. This provides a truly, massive amount of net zero flexibility. I think this is a least understood challenge, and also opportunity of the energy transition, to build the same amount of storage for electrons that is in batteries, would require tens of trillions of euros of CAPEX.

Fourth, we've also made our first international storage acquisition buying a stake in dCarbonX, a company which is set to play a key role in the promising hydrogen market in Ireland.

And finally, our partnership with De Nora has created a lot of value, not least through our support of the De Nora electrolyser Gigafactory project. This value will be crystalized as the company has indicated it will go public in the near future.



At the same time, thus having an enviable, future proof portfolio of assets, Snam also has unique characteristics. We are a purpose led company, committed to net zero. We are the first in our sector to announce a Scope 3 emissions reduction target on our associates and on our suppliers. We have unique engineering and project management expertise to deliver infrastructure projects on time, and on budget, and our ability to work in partnership, it will become increasingly relevant in the context of accelerating investments in decarbonization.

Our presentation today will provide a vision of a growth to 2030, as well as, our 5 year strategic plan horizon. COP26 was a turning point for net zero. Political commitments, technology, policy and funding are finally all falling into place. What is missing are now bankable, replicable and scalable projects that need to be sanctioned in a hurry, if we were to achieve staying below 1.5 degrees warming. This is the world's challenge, and this is Snam's opportunity.

There are now finally a consensus that green gas will have a very significant role to play. Electricity will only account for about half of the energy mix by 2050, and a fully decarbonized stage, and over a third of the system will be running on biomethane low carbon gas, and especially hydrogen. Hydrogen is no longer the fuel of the future. It is happening today.

Following costs means that in the next few years we will have hydrogen cheaper than fossil fuels cost today. This, coupled with a supportive policy environment, means that real sizable projects will approach FID much sooner than expected. This is the beginning of an investment opportunity, which will account for the lion's share of the \$150 trillion of CAPEX required to reach zero.

There is no shortage of investors keen to supply the capital. The Glasgow Financial Alliance for net zero has signed up already a 130 trillion of assets committed to the net zero pathway. Much of the value creation of this



investment cycle will be focused on mid-stream infrastructure. That's because of the key and central role it will play.

In a traditional energy system, the really hard job was finding and producing oil and gas. It required capital, cutting edge technology, the capacity to manage geo political risk, and that was where the lion's share of the projects returns were. The mid-stream sector traditionally, was mainly a way of getting fuels from A to B, it still makes good returns on some complex projects, but more or less infrastructure returns were half of those in the upstream.

The net zero energy system will make these roles invert. With the advent of modular renewables, upstream energy production will have low barriers for entry, very high competition between different sources, lower risks and lower returns. The sun and the wind, and the capacity to harvest them will scarcely be a problem.

What will be far more complex is turning this intermittent seasonal and often, far away energy produced in the oceans and the deserts, into energy that's available exactly where and when we want it. That's why the energy storage will be the next big thing. There will be value interconnecting molecules and electrons, for example, turning excess renewable into hydrogen transporting, and storing it through the gas grid and then using it to deliver peak winter heating, either directly or by providing flexibility to the power grid. This will be far cheaper than trying to manage intermittency supply and the seasonality of demand through electricity alone.

What happens in a hybrid vehicle which is constantly optimizing between electrons and molecules, will begin to happen in factories and maybe in homes, enabled by the smart integration of infrastructure. This is where people will be able to earn higher returns. A sizable amount of the CAPEX super cycle will be focused on mid-stream green energy infrastructure, along 3 mega trends. The first we need 30 times the solar and wind capacity we



have today. Second, hydrogen production will need to increase a 100 to 200 times the current size, to account for between 15% and 35% of the total energy needs, an endeavor that will require up to \$100 trillion of CAPEX. A third mega trend that is finally gaining more traction is carbon removal. We may need to capture and store up to a third of the CO₂ that we emit today therefore to keep within 1.5 degrees.

All of these figures assumed a continued effort on energy efficiency. We need to keep overall energy demand flat to 2050, notwithstanding a doubling of GDP at 2 billion extra people on our planet. Overall, the super cycle entails around a 100 trillion to 150 trillion of investments through the value chain by 2050. That's around 5 trillion per year, a significant challenge for an energy sector that's already stretched investing less than 2 trillion a year. It means conceptually there's room for every company and every investor to almost triple the current pace of investment.

I believe the bottleneck will really be the capacity to get steel built on the ground, people, equipment and project management capabilities are going to be the missing ingredient and the scarce resource, and that is exactly what Snam is good at, and why, as I think about the energy transition, I think the world needs more Snam's.

Looking more closely at hydrogen from a starting cost of around \$600 per megawatt hour, we're already down to below \$100 today it's standing. That's already half of today's wholesale power prices in Europe. And that's broadly aligned with today's expensive gas costs. The tipping point for hydrogen is \$2 a kilo, or \$50 per megawatt hour. According to the green hydrogen catapult, of which Snam is a founding member, we will get there within 5 years, assuming only 25 gigawatt accumulated global electrolyzer demand. That looks increasingly achievable, as we already have over 90 gigawatts of hydrogen capacity that has been announced worldwide.



At \$1 a kilo, or \$25 per megawatt hour, hydrogen becomes competitive with many more fossil fuels, including coal and most current uses. Getting to that level is the only way we will stay below 1.5 degrees, and that's what's required to get China and India to phase down and eventually phase out of coal. I'm, therefore, very excited that the \$1 a kilo level is the Department of Energy's earth shot, they want to get there...the US government wants to get there before 2030.

I'm even more excited to see BNEF, the Bloomberg energy studies to forecast hydrogen at below, or around \$0.5 a kilo by 2050. Just as a reminder, that's only above €10 per megawatt hour, which is almost 10 times cheaper than some of the more recent nuclear projects.

Given hydrogen's cost trajectory, some policy nudges will only be required to get the initial scale going, many countries are stepping in to provide just that. New German coalition government has double-targeted hydrogen capacity to 10 gig by 2030. Italy has a 3.6 billion hydrogen CAPEX support in the recovery and resilience plan, and that's mainly going to be focused on the hard-to-abate sectors. We see widespread recognition for the need of OPEX support to hydrogen projects in the form of contracts for difference, both on the supply and on the demand side.

The US has recently approved funding for hydrogen hubs and is now proposing tax credits of up to \$3 per kilo for clean hydrogen, as well as enhanced fiscal support for CCS. Blending hydrogen and the natural gas grid is a useful way to scale up the market at a very low cost. This is being considered in the Netherlands, and according to a leaked version, the EU gas and hydrogen package.

Imports and exports will be crucial to optimize the overall market. Germany is set to allocate significant public funding to the hydrogen production, also outside of Europe. Italy's ambition is to become a hydrogen hub for Europe, importing green hydrogen from North Africa and exporting it to the North.



With regards to infrastructure, the emerging consensus is that in Europe it will be regulated hydrogen networks with their own RAB. The EU is expected to address the issue in the upcoming gas and hydrogen package. Germany has already proposed regulation for the hydrogen network with a 9% cost of equity to be included in the premium WACC formula. Hydrogen's green premium can also be bridged by consumers. The cost of a car made with green steel is only 0.7% higher than an ordinary car, and there's an interest in the growing system of eco-labeling, which could allow this to happen for any good.

We see a centralized model as the most efficient way of producing and delivering large volumes of hydrogen. The analysis we've done for Italy suggests that producing renewable power in the sunny south turning it into hydrogen with large scale electrolyzers and then using existing natural gas pipelines and storage is both the most secure and the cheapest way of delivering hydrogen at between \$2 and \$4 a kilo, with a 10th...only a 10th of which would be necessary for transport.

Producing hydrogen at the point of use by using dedicated nearby renewables avoids the transport costs, but may mean choosing suboptimal areas for renewable production, even assuming there's enough space. It also means every consumption site needs to build its own storage to manage the seasonality and intermittency of renewable production.

To reach its overall objectives, Italy needs to build 8 gigawatts of renewable sources a year until 2030 and beyond. Today, we're only building one gigawatt per year, and so that's going to be a real challenge even without having to try to build additional renewables focused on the near...the consumption areas.

Producing hydrogen using power from the grid is probably the easiest thing to do to get going. But it will not work in the long-term as the market scales



up. Transporting energy through the power grid is expensive compared to using the gas network, especially considering the cost for balancing and storage. Running all the energy we need through the power lines will further burden the electricity networks, requiring significant investments to upgrade it and it also makes for a more fragile system. Of course, there will be space for the different archetypes, different circumstances, but promoting a centralized model will deliver a much more affordable, scalable, and secure system.

As well as pipelines, the new energy system will also require an entirely different approach to storage. Today, each fuel value chain has its own vertical storage built into it. The oil sector, for example, has 7.2 billion barrels of storage, which is equivalent to over 70 days of global consumption. The gas sector has 422 bcm of storage, scattered around 661 different facilities globally. Overall, fossil fuels and fossil fuel molecules have intrinsically in their value chains over 19,000 terawatt hours of storage capacity. Now, to replace those in today's systems would cost around €500 billion. But if they were to be replaced with batteries, the cost would skyrocket in the hundreds of trillions of euros.

In a net zero system, overall storage requirements will change dramatically. We will need to invest in new types of storage some of it to replace our current molecules in the form of long-term flexible storage and some to cover the short-term fluctuations. We will need to substitute the long-term storage currently provided by the gas system. In Italy, in the UK, the gas grids deliver twice as much energy as a power grid in the summer, but deliver 4 to 5 times more energy in the winter, as it's clearly seen in this graph.

Only a week of very cold weather can have the same demand impact as the entire electricity system. At the same time, the daily variation in demand on the power grid will increase by 3.5 times compared today, as the grid relies on intermittent and seasonal production and has to satisfy and accept a greater percentage of consumption. We recently had a taste of what this



means when in September, lower wind in the UK took around 20 gigawatts of capacity out of an already strained system, sending prices through the roof.

The much needed flexibility of the net zero system will be provided by green electrons and green molecules working together. How we will store this energy will very much be a function of time of the duration of the storage when charged and discharged daily, batteries add €110 per megawatt hour to power costs. That's around 5 times higher than the cost of using hydrogen tanks and 50 times higher than salt caverns.

If we're looking at storage durations that are longer than a day, weekly, monthly, or seasonal storage, hydrogen and biomethane cost between €5 and €40 per megawatt hour, battery would cost €770 per megawatt hour when used weekly, and if you were to spread the CAPEX over a month of use, they would cost over €3,000 per megawatt hour. Let's not even think about the seasonal use. There's also large differences in the CAPEX required to build the different technologies, developing 10 terawatt hours of depleted fields turning them into hydrogen storage would cost around €1 billion, twice as much as the cost of methane storage, but still 2,500 times less than the €2.5 trillion it would cost to develop the same storage with lithium ion batteries even assuming the cost of batteries fell to a low \$100 per kilowatt hour. Much of the investment required by 2050 will be in hydrogen production and the reshaping and purposing of the energy transport and storage system including for the CO₂ value chain. All these areas are ones in which Snam already has a leading position and in which we have chosen to focus our future growth.

More specifically, we've chosen to focus our growth on 3 areas. The first is the energy networks to transport methane, biomethane, low carbon gas and CO₂. Second area is new integrated energy storage where we will enhance the performance of our hydrogen-ready assets and expand into new low carbon storage in new geographies.



The third area of growth for Snam are our integrated green projects in the molecule space particularly. We will continue to leverage our skills, commercial relationships and partnerships developed through our energy transition platforms to seek projects that are bigger, scalable particularly in hydrogen and biomethane.

Following the work we have done, the reputation we've built, we are fortunate that will access to more opportunities that we have the people, bandwidth and resources to pursue. We are therefore choosing to focus on the best projects, those which have scale, are close to our assets, where we can deploy our competences and therefore have higher returns.

The screening from a broader set of opportunities has already yielded €23 billion of weighted investments for 2021-2030 period. €15 billion of these are in energy networks where we envisage €12 billion in investments in our Italian transport infrastructure and €3 billion to create the first tranche of a hydrogen backbone running from north to south, mainly using existing infrastructure and really positioning Italy as a hydrogen export hub.

€5 billion will be energy storage where we have identified €3 billion investments to maintain and enhance the performance of regulated methane storage and €2 billion of weighted Greenfield and brownfield opportunities in the new energy storage including hydrogen and CO₂. With regards the green energy projects, we have €3 billion of investment opportunities continuing our existing platform and pursuing bigger hydrogen biomethane and CCS projects in Italy and abroad. The basket of investments would not alter Snam's risk profile as €18 billion are in businesses which are or which we expect to be fully regulated, while for the €5 billion in new energy storage and integrated projects, we are pursuing a contracted model that minimizes volume and commodity risk. We expect regulated natural gas assets to make returns in the mid-single-digits while new regulated hydrogen asset base is expected to receive a premium.



For new energy storage and integrated projects, we are looking at returns in the high single-digits or above also benefitting from incentives, grants and policy support. Overall, these expected returns could deliver average annual EBITDA growth to 2030 of around 7%. As a result of our 10-year visibility of investments and regulated businesses, we have upgraded RAB growth of 2025 to over 2.5% with an acceleration to over 3.5% between 2025 and 2030. That only includes investments identified in natural gas transport and storage. The hydrogen network provides upside to these numbers and so we would further storage capacity required for the transition from natural gas to hydrogen.

Our investment plan to 2030 is based on the verified knowledge that our transport and storage assets are compatible with hydrogen blends up to 100%, which means that any investments which are needed today to maintain and enhance the performance of the gas system will be valuable assets for the energy transition.

This knowledge has been gathered by Snam in collaboration with leading universities, technical institutes and very importantly, many if not most of our European peers. Massimo Derchi, who runs our Italian assets, will now explain a little more about his ground-breaking work done in this precious efforts to future proof our assets.

MASSIMO DERCHI: Thank you, Marco. Let me start by saying that industry and in particular refineries in petrochemical have been dealing with transport of hydrogen for decades. Today, we have more than few thousand kilometers of hydrogen lines in operation in Europe and the US but it's an international recognized standard, the ASME B31.12 which is dealing with the transport of hydrogen by pipe, both in terms of design of new pipelines and repurposing of existing lines. Opportunity that is not yet a similar European standard but its definition is in progress and the first step will be the incorporation of the same contents of the ASME B31.12 standard. We at Snam decided in 2019 to



launch a comprehensive assessment of the suitability of the network the transport of hydrogen based on the 2 methodologies provided for by the ASME code, option A and option B that are both applicable for design of new hydrogen pipelines also the conversion of existing pipeline.

The application of Option A which is based on desktop studies, the Snam pipeline network confirms that almost all of existing network is convertible although in some cases this leads to a reduction of a maximum operating pressure. Such reduction may be scaled back or even canceled once the roadmap of the usage of the other option, option B, is completed. Option B includes extensive testing. The entire verification process of each individual pipeline as well as with the termination of the applicable maximum operating pressure for the transport of hydrogen will be certified by RINA, one of the leading international third-party certification bodies.

And I am proud to say that on November 26, the first statement of material suitability for the transport of hydrogen has been issued by RINA for the pipeline connecting the arrival of path [ph] to the Italian National network. I think the standard for hydrogen readiness is of crucial importance but so is having a shared standard at least among European TSOs in order to ensure safe cross border transport. And to this end, we are working with...we are working to set European Standard incorporation with other gas TSO universities and institutions. We took a different route to verifying whether our storage site which are equivalent to 17 billion of cubic meter of capacity in depleted gas fields were hydrogen ready because on a depleted reservoir there is no relevant technical literature [ph] or test.

We launched an extensive project in cooperation with the Polytechnic of Turin the Italian Institute of Technology to investigate and simulate physical, chemical and microbiological phenomena associated with storing an hydrogen natural gas blend in natural gas depleted fields. Over the course of the project, we tested that there is no risk of dissolution or alteration of the reservoir and the cap rock of minerals even if they are exposed to 100%



hydrogen. We tested the gas tightness of reservoir from blend of up to 100% hydrogen. In other words, we checked that there is no risk of diffusion of hydrogen through the cap rock of the reservoir. We also tested that the bacteria which are present in the reservoir are not affected by hydrogen which means that there is no risk of production of an acid like H₂S. And eventually, we tested the well's material, cement and seals.

While investigations are needed to confirm the long-term behavior of systems in presence of hydrogen, no risk were highlighted by this extensive set of tests. The next step will be complete microbiological test in a multi-reactor which means we test the bacteria behavior and the actual pressure and temperature conditions and we will launch a pilot test on a Snam storage site as soon as the necessary alteration are achieved. Based on the results so far achieved, we are therefore very confident about the possibility of storing hydrogen, even pure hydrogen in depleted natural gas reservoir.

I will now hand you back to Marco for a closer look to our 10-year investment plan.

MARCO ALVERÀ: Thank you, Massimo. The hydrogen readiness of our network underpins our €12 billion investment plan in the grid. We will invest €5.3 billion to replace around 3,000 kilometers of pipeline that are fully amortized. This level of replacement will keep fully amortized pipelines broadly flat at 10,000 kilometers. All new pipes are in line with our hydrogen ready standards. €2.9 billion will be invested on maintenance to secure the performance and resilience of the system. A further €2 billion will be invested in technologies for our own net zero, and to digitalize our network. We will build 6 dual-fuel compressor stations which provide flexibility to the system as we can choose whether to use gas or electricity to compress our gas and change equipment to eliminate methane leakage. Through this investment, we are jumping into a dual-fuel sector coupling future.



Over the 10-year horizon, we will spend €1.8 billion on network developments including the methanization of Sardinia and new CNG and biomethane grid connections. As well as investing in the resilience of our gas assets today, we're happy to share our vision for a new €3 billion 2,700 kilometer mainly repurposed hydrogen backbone all the way from Mazara Del Vallo in the westernmost tip of Sicily in the south to our export locations in Passo Gries and Tarvisio in the north. This infrastructure will connect green hydrogen production areas in the south and potential blue hydrogen supply in the Northeast with industrial customers throughout the country. It is essential for the hydrogen market to develop at scale allowing the transport of 20 terawatt hours of hydrogen by 2030, by already targeting at least 150 terawatt hours at full deployment and unlocking hydrogen as mentioned before at a levelized cost delivered in Italy between €2 and €4 per kilo.

The backbone we are presenting today is the first step towards the creation of an integrated interconnected national hydrogen market in Europe and the positioning of Italy as a hydrogen hub. Further investments will emerge to serve growing Italian demand and export opportunities, especially leveraging on the renewable potential in North Africa, which cannot be underestimated. There are parallel lines from North Africa to Germany, which could facilitate the early emergence of a dual system and a clearly dedicated export route for hydrogen.

We expect the Italian backbone to be regulated as mentioned at a premium in line with what's happening in Germany and at the European level. We have significantly strengthened our position along the various strategic North Africa Europe routes through the acquisition of half of any stake in the Transmed and TTPC pipelines. This route is key to ensuring the security of supply in Italy. We have an earn-in earn-out mechanism to protect us from any downside to these gas flows. But the route also has strong hydrogen upside. It is composed as mentioned of parallel pipes, 2 on the onshore and 5 on the offshore, which similar to our network are largely made from steel



as Massimo said, that is already hydrogen-ready. And having 5 lines clearly gives us a lot of flexibility, and optionality.

The transaction, which will have a co-control governance model over the NewCo to which any stakes in Transmed and TTPC pipelines will be transferred is expected to close in the second half of 2022 and will contribute an average of €25 a year between '23 and '25. Returns will be in line with those of our similar investments in our portfolio, in our international portfolio. The availability of the possible hydrogen import route from North Africa will enable the development of upstream projects in the area, opening up interesting perspectives for future integrated hydrogen projects.

Turning now to the long-term prospects for our storage business, we have a new plan, which aims to bring our storage subsidiary to another level. We want to leverage our world-class assets and competencies to expand in new energies and new geographies. We start from a position of strength. The value of our 17 bcm of regulated gas storage, the largest capacity in Europe by far, is increasingly clear today given the tight markets we are experiencing in gas. The recent energy market crunch has cost Europe above €200 billion of extra costs just in 4 months, while the cost of developing an operating an additional 20 billion cubic meters of storage to shave winter peaks would be just €1.5 billion a year.

The fact that our storage assets are also hydrogen compatible supports the rationale for the investments required to enhance its performance. Snam's technical competencies and storage are world leading. Today, we're providing technical services to Chinese clients, including CNPC [ph], Sinopec, and PipeChina to support them in quadrupling China's natural gas storage capacity, which would also benefit Europe by reducing Asian winter energy demand. Right now, Asia and Europe are competing for a few cargoes of LNG that are driving up the prices of the entire gas markets, as well as the power market in most European countries.



Looking forward in the context of growing requirements for diversified large scale storage capacity in the energy transition, there will be strong rationale for repurposing existing storage capacity to hydrogen, both our own depleted fields and the aquifers owned by our subsidiaries, such as Teréga. We also intend to use our geographical competencies to expand into hydrogen and CO2 storage in selected international markets. We see real value and the ability to offer integrated energy storage solutions, which may also include electricity storage.

In storage, we're approaching a new investment cycle in Snam with €3 billion of investments planned in the next 10 years. Through this CAPEX plan, we will add flexibility and performance and reduce emissions and begin to replace fully amortized assets, in particular we will invest €1.1 billion in the redevelopment of aging wells and new capacity to increase flexibility. We will invest €700 million in equipment replacements and work overs, €400 million in net zero investments, including the dual-fuel stations as well as €800 million on maintenance. This number also includes increased investment to comply with more stringent regulation.

On top of the investments in our core regulated infrastructure, we've been enhancing our capability on aquifers, salt caverns and CO2 storage. Our understanding of sector coupling solutions, our engineering capacity, as well as our commercial reach. We have a weighted pipeline of Greenfield and brownfield projects under scrutiny and analysis. We have just announced an agreement with the dCarbonX, a great company which focuses on the development of offshore subsurface resources to enable the energy transition in cooperation with the big Irish utility ESB. Here, we expect a regulated business model to develop. Post FID, these projects can open up CAPEX opportunities of at least €1 billion on a 100% basis. Moreover, through Teréga we are involved in Pycasso with a CCS project in the south of France and in the north of Spain.



Turning now to the third pillar of our investment program, the green energy projects, see us continuing to leverage our established energy transition platforms and grow through large scale integrated green gas projects. Looking specifically at hydrogen, in only 2 years, we have gained strong knowledge of and context in the upstream segment through our investments in equipment manufacturers De Nora and ITM.

Our midstream team are global leaders in hydrogen-ready standards and testing as you've heard from Massimo. And in downstream, we've opened 156 separate commercial discussions that are ongoing. Some of these will turn into projects and all of them contribute to our deep knowledge of the needs and expectations of our customers particularly in the hard-to-abate sectors of people making steel, ceramics, glass and the heavy transport that are all now looking at Snam to provide them with innovative solutions to achieve an energy transition at affordable costs. Considering that in green energy, the real scarce resource is going to be the offtake. This commercial head-start, as well as our strong, recognized brand and reputation will provide a very valuable asset.

Looking ahead, we're moving from pilot projects to a market in which keen to decarbonize off-takers will require multi molecule solutions a lot sooner than previously anticipated. This would lead to new integrated projects that will be using midstream and upstream capabilities in blue and green hydrogen, as well as, biomethane and CO2 value chains.

Our vision to 2030 is focused on 3 work streams. In Italy, we will invest in larger replicable hydrogen projects in industrial clusters and specific industry such as steel making. And internationally we will be looking at hydrogen CCS projects that are including in areas including Northern Europe and the US, as well as, North Africa and the Middle East, where renewables are indeed very competitive and the potential, local off-takers and/or access to expert infrastructure or where that our policy frameworks targeting accelerated decarbonization.



With regards to biomethane, we will continue to leverage our Italian platform to develop additional capacity to get green field products and bolt-on acquisitions. Overall, we have identified a weighted pipeline of opportunities for €3 billion until 2030 for which we are targeting overall returns at least in the high single-digits.

Let's now look at our 2021-2025 plan. Our CAPEX plan has increased by more than 10% to €8.1 billion investments in our core infrastructure or 6.8 in line of previous plan and we will deliver a RAB CAGR for transport and storage exceeding 2.5% over the '21-'25 period. This doesn't include CAPEX related to the hydrogen backbone which will start from 2025 onwards.

In this plan, we have increased investments in green energy projects encompassing biomethane, mobility, energy efficiency and hydrogen to over €1.3 billion, mainly due to the expansion of the biomethane and hydrogen platforms. Taken together green energy projects will provide €150 million of EBITDA by 2025. The investments carried out in the plan period, we will provide further upside with around €180 million of EBITDA from this CAPEX in 2027 this is pertained to become a sizable part of our value creation going forward.

Our CAPEX plan is future proof, approximately 42% of investments are hydrogen ready and this is defined as a replacement and development investment on our assets using new pipeline with hydrogen ready standards. Further 10% is dedicated to investments which reduced our Scope 1 and 2 emissions and 5% to digitization in line with last year, 17% of total investments will be dedicated to green energy projects, and putting hydrogen, biomethane and energy efficiency. We have run through internal assessment against taxonomy delegated acts and determine that 40% of our investments are taxonomy aligned.



Looking more in detailed at the CAPEX profile of our Italian assets it includes 2.1 billion of investments on replacement. Dual fuel compressor stations the first trench of the Sardinia project, this has been unfortunately delayed compared to last year's plan owing to a slower authorization and approval process. We project €300 million of investments in the plan period in line with last year.

In storage we are investing in replacement and substitutions in the dual fuel compressor stations and new and refurbished wells and investments in new metering systems as I mentioned to comply with the more stringent regulations. When we look at the green energy projects we continue to invest in the platforms.

In our hydrogen plan we have 8 projects and mobility and industrial clients, some of which are already been awarded funding through the Innovation Fund and Horizon 2020 and some which have applied for the very important IPCEI European initiative. We have also earmarked €50 million for R&D initiatives and venture capital investments and these numbers are in the plan. We do this to remain at the forefront of the technological shift that we are observing in this place. So, overall, for hydrogen we are forecasting €250 million of Snam CAPEX.

On biomethane and mobility we are planning to invest €850 million mainly to expand our platforms in urban and agricultural feedstock to reach around 120 megawatts of capacity nearly doubled our previous plan. We expect the slower ramping up of our biomethane and mobility businesses which are interlinked through the regulation due to a significant delay in public administration authorization that has been accumulated during the...and after the pandemic, as well as, the effect of the pending biomethane degree, which on the upside provides new volumes incentivized volumes from 1.1 BCM to 3.6 BCM particular supportive of agricultural feed stock and less supportive of urban waste. So, this is good news for Snam in 2 ways first,



because the more biomethane and the grid the sooner the grid becomes green and because the overall market for our subsidies this is getting bigger.

In energy efficiency we have acquired companies with specific competencies and key segments and developed a real leader in the country, we renamed it Renovit, Cassa Depositi e Prestiti acquired a 30% stake in January, Renovit is positioned as a key player in the sector. Over the plan period it will develop a further pipeline of projects in the residential sector also supported by the lower term fiscal incentive. It will install 90 megawatts of distributed energy and support deep renovation of public buildings.

Overall, we see €230 million of investments broadly in line with last year, producing stable, long term contractualized returns. We created Renovit as we saw an opportunity to consolidate a very fragmented market with significant growth potential. This is one of the business where we have the least synergies with other activities.

Thank you for your attention so far. I'll now handover to Alessandra.

ALESSANDRA PASINI: Thank you, Marco. On the financial structure side, we remain committed to preserve in the solidity of our balance sheet. Cost of debt over the plan is circa 1.1%. Thanks to the actions that we have taken to lock in favorable market conditions and considering the expected positive environment in interest's rates and credit spreads. Further opportunity for funding cost reductions are achievable thanks to increase share of sustainable financing as part of our natural rollover of more expensive bonds. Furthermore, we expect sustainable financing to obtain better pricing versus traditional financing going forward. Second an opportunistic approach in maturity profile management, and third further treasury management optimization via recourse to uncommitted credit lines and commercial paper.



Our credit management remains comfortably within the threshold of our current ratings by Fitch, Moody's and S&P. We expect net debt to fixed assets including book value of equity affiliate to be comfortably below the official rating threshold of 75% set by Moody's, this is the most feasible leverage ratio compared to the net debt to RAB as it also factors in the contribution of new businesses and associates. And this is clearly recognized by rating agencies.

Clearly the attractive investment opportunity environment connected with the acceleration of the transition towards net zero represent and further credit enhancement factor. Net debt at the end of 2022 is expected at circa €14.8 billion from the guidance of €14.1 billion for 2021. This considers a cash out related to the acquisition of the stakes in TMPC and TTPC for slightly less than €400 million, the full year CAPEX €300 million of temporary working capital absorption mainly referring to the Ecobonus development. And on the positive side the conversion of our €400 million converted bond currently well in the money and the reimbursement of a shareholder loan towards to an associate with circa €200 million of positive effect.

Our focus on ESG also drivers our financial strategy. Today sustainable finance is already at 60% of the total committed funding, having achieved the target set for 2024 3 years in advance. We are now raising this target to above 80% by 2025 and to achieve this we will leverage on the new sustainable finance, framework, published today. The proceeds from bonds issuance under the framework will be used for general corporate purposes incorporating appropriate KPIs for the issuance of so-called sustainability linked bond, in line with the new plan target. Specific project aligned with the taxonomy from the EU so-called taxonomy aligned use of proceeds. All further Snam issuances will be in ESG format, either sustainability linked or user proceeds.

Turning now to our international affiliates we have a great portfolio that we continue to derisk and diversify. We have a long-standing history of



successful partnership in different countries with both industrial and financial players. It generates great returns, excluding the recently announced acquisition of the TTPC and TMPC stakes 2/3rd of the capital invested will be paid back already by 2025 through dividends received. Overall, annual cash return, is 10% on average. Some assets in our portfolio are still considered cost, while delivering strong and visible contribution. For instance, TAP that has a book value of slightly less than €300 million provides annual net income to Snam of around €16 million for 25 years. Asset such as TTPC and TMPC or ADNOC are enablers to access new green projects, given their position in areas of the world with competitive renewables and H2 production cost.

Looking at mature assets such as the our Austrian associates, we will of course experience the effect of anticipated expiry of long-term contracts. At the same time, there will be benefit from their position in the future H2 export corridors in the medium to long-term. Finally, we have opened offices in Middle East and US, regions which all have high potential in the development of H2 and CO2 ecosystems and storage.

Looking now at De Nora, in less than one year from entering into the company, we are very pleased with the performance and the value that we have created for both the company we invested in, and for Snam. De Nora, which as a global leader in sustainable technologies continue to show strong growth, while building an appealing H2 backlog, with the H2 segment expected to deliver positive EBITDA already in 2023. De Nora has already existing manufacturing capacity of 1 gigawatt and with Snam support as filed IPCEI for a grant of an additional giga factory to be realized in Italy. De Nora results are well ahead also seen at the acquisition time, and 2021 revenues are expected to be above €600 million, 20% more than 2020. De Nora as heard, is considering an IPO in 2022 depending on market conditions and similarly it is their JV partner TKUCE. We remind you that we valued De Nora at an enterprise value of €1.2 billion on a 100% including it's 34% stake in TKUCE.



Moving on to our capital allocation policy, it remains coherent with the prior years. We are committed to our current rating metrics and risk profile, and we only invest at or above the risk adjusted returns available on our regulated CAPEX. Furthermore, we sense opportunities in coherence with our ESG strategy and broader net zero ambition. We prioritize opportunities where we can leverage our industrial capabilities, unlock growth and new options without jeopardizing risk profiles. We do not see growth for growth sake, as we have discussed with ample investment opportunities and we will continue to apply strict financial criteria when evaluating any initiatives.

Turning now to our ESG targets, today we are announcing a Scope 3 target covering over 90% of our Scope 3 emission. We are the first European TSO to do this and the first TSO with a specific target on our supply chain, also announcing the new Scope 1 intermediate target of CO2 emission reduction to 28% by 2025, benefiting also from the acceleration of our methane emission program. We will work with our associate to intensify their efforts on emission and incentivize supplier to define clear CO2 targets.

We will also develop joint projects with suppliers to use renewable and green fuel in their production processes. In this way we will not only decarbonize Snam, but also enable and encourage a wider decarbonization and industrial processes connected with our operations such as steelmaking. These targets are in line with the general methodology of design-based targets, indeed, our Scope 3 target covers 20% of emission, higher than the level required and in line with the 1.5 degree scenario. As well as targets related to net zero, we have a broader ESG score card covering 14 areas and aligned with our target year to 2025, to match that of our 2021-2025 Strategic Plan. ESG targets range from the environmental ones on our emissions to our commitment to more equal female representation across the company, to focus on our [indiscernible] and integrating ESG within our strategy. This year, we are introducing new objectives in the areas of sustainable finance, as mentioned before. I will now hand over to Marco for his closing remarks.



MARCO ALVERÀ: Thank you, Ale. Looking more closely at our growth, over the plan period, we expect 4.5% EBITDA CAGR from 2022 as a result of the RAB growth and the contribution of the green energy projects. Net profit from 2022 is expected to grow at 3%, driven by the excellent growth at the operating level, slower growth at the associated level and higher D&A and interest charges. Assuming the investments and the returns we described in our 10-year vision, these growth rates will significantly accelerate to 2030.

To sum up our targets, in 2022 investments will increase to €1.5 billion. Tariff RAB will reach €21.4 billion; net income will be slightly above the guidance for full year 2021 of €1.170 billion, adjusted for the WACC impact, which we have assumed flat and equal to around €85 million at the net income level on a yearly basis. This target assumes some growth in output based incentives, 10-year consultation document on fully depreciated assets expected before the end of this year. Our net debt guidance is at €14.8 billion.

Looking at the plan period overall, investment would be €8.1 billion, these will deliver a RAB CAGR above 2.5% and a net income CAGR from 2022 after the WACC has been reduced of around 3%. As a result of our robust growth prospects, we confirm and extend our dividend policy which sees 5% annual DPS growth to 2022. We are extending thereafter visibility on our minimum annual growth of 2.5% all the way to 2025. In the last 6 years, Snam has delivered best-in-class growth and total shareholder returns, and we remain fully committed to a strict financial discipline and compelling shareholder remuneration.

Wrapping up, what I would like you to take away from today's presentation is that first Snam is a champion in the race to zero. We have future proofed our world-leading portfolio of assets, which has significant upside potential also in the near term. We have a unique track record in delivering complex projects on time and on budget, which will be the real scarce resource of the



energy transition, and we built a wealth of technological and commercial knowhow in hydrogen which positions us well for the next leg of the market's development.

Second, as a result, today we are spoilt for choice when it comes to new projects. Initiatives worth trillions of dollars will be developed along the hydrogen value chain, and in energy transport and storage. Our positioning allows us to choose the ones where we can create the most value. We have identified €23 billion of opportunities, which we can deliver while maintaining our credit metrics. Our 2030 vision sees the start of a new infrastructure investment cycle in Italy, to deliver ample and low cost hydrogen to the domestic markets and to enable exports to Europe.

Third, we combine superior long-term growth prospects with solid near-term industrial plan, and we will continue to invest in our hydrogen-ready replacement program and increase our activities in the energy transition. And finally, we remain committed to our treasured financial discipline, and confirm and extend our dividend policy providing attractive shareholder returns now and in the long-term.

I'd like to thank everyone for your attention, Alessandra and I would be pleased to answer any questions that you have.

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 questions. 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: Hello, good afternoon, and thank you for the presentation. 3 questions from me. The first one is on the strategical...the strategic positioning of the company. Following the presentation, it seems that there is going to be an acceleration in the EBITDA...the projected EBITDA between the Phase 1 up to 2025 and in Phase 2 to 2030. But I think that most of the growth is coming from non-regulated businesses. So the question for you is, if this is not changing the profile of the company, and there is not the possibility that in 2030 Snam is going to be a different company from the people's perception now?

Then, second question is also related to the strategical positioning, is that given the extent of the hydrogen opportunity and the attached storage [ph] opportunity as well. Why the company continues to pursue international growth opportunity. And the question is that maybe in Phase #2 from 2025 onwards, the company could considerate as a rotation of those international assets, as part of this strategy as well.

Then on the numbers to 2025, if you can share with us the contribution to revenues and EBITDA from non-regulated business, so to understand those new activities, which are the contribution that are giving to growth during the length of your Business Plan, and if you can explain also a different approach to maximum gearing versus the previous Business Plan. Why the company had changed the definition of gearing in this new Business Plan that would be helpful as well?

And then finally, on the assumption of your Business Plan unraveling a little bit the math, I guess, that you are assuming a WACC reduction in Italy along the lines of minus 60 basis points. So the question for you is that, is there any level of WACC cut in which you could have to reconsider either your CAPEX or dividend. And I think that is the very final question that you mentioned during your presentation, some contribution from out of base



incentive before the year-end to be approved. You could be a little bit more specific that would be helpful as well. Thank you.

MARCO ALVERÀ: Okay. Thank you, Javier. I will take all the questions and let Alessandra answer on the gearing change that you asked about. On the strategic position, no, I think we've been very clear, we've probably said it 3 or 4 times throughout the afternoon that we do not intend at all to change the risk profile. So if you look at the €23 billion a great majority of that is regulated...is even regulated at a higher premium for the hydrogen backbone in line with what's happening in Germany, and I suspect, as the recovery funds make their way into real concrete incentives in Italy and in Europe and incentives are built for the energy transition in general, there's potential upside to that. Even the non-regulated activities will be contracted and so where you seek off takers that take strip out essentially the commodity and the price and the volume risk. So we don't intend to change the profile at all. And as we mentioned, we can choose to dedicate our scares people and talent and resources to really the best and most secure projects.

Then you asked about the international growth asset rotation. We've said it all along. We do not have an emotional attachment to assets when they stopped growing or when we don't see any additional upside we could consider partial or even total monetization. The international strategy that we've outlined has served us very well so far and is giving us access. We went through our investment criteria access to invest in new and additional projects. We do not look and we've ruled out several investments that potentially had attractive returns, but would have either ESG implications because, for instance, of attachment to just fossil methane and where we see the risk of the stranded assets, we stay very clear of those assets.

On the non-regulated new businesses, as I mentioned, we expect an EBITDA of €150 million on these assets by 2025, and that will grow to €180 million by 2027. So you should take into account compared to last year's



plan 2 things. First, let's say almost a 2-year delay on some of the CAPEX on biomethane, so it's in there. But it's more end loaded, as I mentioned, because of some approval taking longer because this is really a heavily territorial task, but also because of the change in the decree it was...it made sense to put some of the projects on hold, and some of our customers had also decided like Snam to put some of the projects on hold. So overall, there will be more growth, there will be more capacity, but it will come in '26, '27, and '28, and thereafter.

On the WACC. I think your numbers are correct, and we don't see the outcome at a level where we need to revise the CAPEX and the dividends that we've announced today. So this shows our confidence in the solidity of the business and in an outcome that is expected to be reasonable. Ale on the gearing, maybe you want to add.

ALESSANDRA PASINI: Yes, on the gearing, we are very comfortably within our credit metrics. As I said, I think the shift between referring to the RAB and referring to the fixed asset is something that follows the dialog we've been having with rating agencies and the fact that they recognize that for good quality assets, even if not regulated, it's unfair not to consider them. And that will apply as the new businesses ramp-up also to our new businesses, given the low risk profile that they bring to the equation. So we are simply putting in practice the consequence of our dialogue and applying a stock metric, which is more appropriate for both ourselves and reflects what we are doing and also from rating agency standpoint. If we were to just...just as a reference, if you were to look at [indiscernible] still be below the threshold that we've always been using. But we are shifting inconsistent with the dialogue we've been having with rating agencies to a different mechanism.

JAVIER SUAREZ: And some additional comment on the possibility...on your assumption, on additional output based incentives to be approved by the...before the year end?



MARCO ALVERÀ: This is an ongoing topic that I have been raising now for few years, which is to get recognition of the fully amortized assets that have some form of incentive not to replace what we can avoid replacing. I think there's no...I think it's a win-win. I think it hopefully comes out soon in the coming weeks and there is some expectation of that in our...late back in our 2022 numbers.

JAVIER SUAREZ: Okay. Many thanks.

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

HARRY WYBURD: Hi, afternoon, everyone, and 3 questions from me, please. So firstly, on this 2026 to 2030 CAPEX hydrogen. How much of this is...how sure are you that this is basically what we'd consider authorized? So I mean, you laid out all the different regions and how positive all the direction of the legislation is going and how Germany, have said they're going to regulate a premium return. But how concrete is that in Italy, you are sort of extrapolating from Germany and hoping that Italy will mirror that or do you have substantive conversations with the government and with the regulator? That means you really feel very confident that this CAPEX is definitely going to be approved and is definitely going to get a higher return on it. And then I'd be interested to know if you've made any assumptions in the guidance on how much higher returns you're expecting versus the, I guess, vanilla transmission return you get in gas. This first one.

Second one, it's a very high-level question and you've given us a lot of the building blocks in the presentation, but I wonder if you could bring it together, why is the EBITDA CAGR over the next few year so much higher than the net income CAGE. And you alluded to higher D&A, higher interest costs and the associates slowing down. But I wondered if you could give us a bit more color in moving parts on that?



And then the final one, just a very, very kind of strategic one. I guess, we look at this presentation some very interesting charts on how much cheaper it is to store power using hydrogen and so on or energy using hydrogen, I should say. And you've got this great growth opportunity in the second half of this decade, but then you kind of scroll down a bit and the net income CAGR is 3%, which I guess is somewhat lower than some of your peers. Is there anything you can do to try and frontload this growth in some way, I mean, you alluded to selling lower growth assets the press is talking about, selling a minority and storage. But I mean, I wonder could you not go there further and sell a minority in the transmission business if it's not growing fast enough to maintain control that would presumably increase your growth rate. The question really is, I don't know if you can do well, or sort of wait for this opportunity to arrive to get kind of growth moving between now and 2025? Thank you.

MARCO ALVERÀ: Thanks, Harry. These are great questions. So on the certainty, there is no certainty on the approvals for the hydrogen. There is still a lot of work to be done to get hydrogen say certified from a safety and from a technical point of view. There needs to be a lot of EU harmonization around the certificates of origin what we mean by hydrogen et cetera. But I think 2022 is the year when a lot of this will happen. There is going to be a hydrogen gas and gas package coming out of Brussels that will already indicate the direction of travel. There has been extensive interaction with regulators in many countries and this as you will pick up from media reports from both Timmerman's and Wonderline [ph] and Simpson, you know, what I am talking about kind of Italy as a hub is now widely reported in the media. So there is an understanding that we need kind of common and harmonized EU rules which I think is great news.

Germany has a 9% return on capital in the premium for the hydrogen, and I think the Italian system and the Italian regulator has a long history of providing input based incentives when they need something done quickly. And so, you know, we have had it in storage, in fact, part of the reason our



growth is slowing down on the conventional business is that some of those input base incentives are expiring as time progresses. I think this is really good news, kind of, underpinning that CAPEX which I think is among the most strategic CAPEX in the European kind of energy transition landscape.

When we talk about the net income versus EBITDA, it's really the forward curves on interest and the DNA of an accelerating CAPEX program that explain it together with the Austrian associates that...whose contracts will be expiring. So there is nothing more to that you can put in the forward curves and, of course, we don't know if they will turn out to be there. We have interest rates kind of growing outpacing inflation not really able to catch up. So that's really what is going on. I don't know Ale, if you to add something on this, but I think these are the main points.

On the strategic question that you asked which is a great question that we also ask ourselves. There will be some options like De Nora IPO to really frontload a lot of that value creation/crystallization, whatever word we decide to use that will be unlocked. In terms of monetizing minority stakes, that's not something that we have a priority, because we are not resource constrained nor will we be in the €23 billion of CAPEX to 2030. We don't really see monetizing as a necessity in the near term to finance, but we do see the opportunity to accelerate the hydrogen. So I think Europe post Glasgow has realized that it's Fit for 55 is really challenging kind of portfolio of opportunities that need to be invested in, and some of the stuff that we are doing represents lower hanging fruits from a de-carbonization perspective.

So we are now working on a plan where we have been perhaps, I will use the word shy, but we don't know the shape and form of the incentives so we assume some incentives are there, but we've also seen companies like Snam when the incentives really make sense to fast track some of the investment projects and some of the projects. For sure, we are in touch with most of the Italian companies, and I can tell you as CO2 prices are



increasing, they really have a real urgency to stop paying €60 or €70 per ton of CO2 that they weren't paying in previous year or paying a lot less for. So the market is clearly there, the political incentive is clearly there. We have what it takes to get a stuff approved and build as fast as we can, as the type of project has demonstrated. So I agree with you there could be room to the upside even in the shorter term.

HARRY WYBURD: Okay. Thank you very much.

MARCO ALVERÀ: Thanks Harry.

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

ALBERTO GANDOLFI: Hi, good afternoon. Thanks for taking my questions. Only 2 are left on my side. The first one is to go back again to balance sheet and Marco, you just mentioned in the near term you don't need any extra financing, but from '26 your run rate of CAPEX broadly would double. So may I ask you if you still will remain comfortable in terms of balance sheet from 2026 to 2030, and if any further, let's say, financing might be needed? Will you be open to perhaps also split not just De Nora but at least the whole green energy division as a way of funding the plant?

The second question, I'm still not 100% sure if you don't mind repeating, and apologies about this. But how much of the premium CAPEX. So the CAPEX that is supposed to be regulated for which you are asking for a premium, how much of that is approved as of today or when do you expect it to be approved by the regulator.

And again, just last, last...just a clarification here, I see you are expecting premium returns and you mentioned Germany is an example, but couldn't we use as a counter example, the digitalization investments made by Terna in Italy that have not received the premium return and the realm of 5% is still



one of the highest returns in Europe. So would your plan still work if actually you didn't have premium returns, would you go ahead with investments or would you just accept a baseline return in exchange? Thank you.

MARCO ALVERÀ: Okay. Thanks. So...no, I don't think we thought about IPOing the entire business, I think and Ale you can jump in, but we feel that the €23 billion of CAPEX we can finance on balance sheet. We have, as I mentioned earlier, some assets that could be rotated out, perhaps even entirely. And so we see no risk there and no option, but we continue to be in the market to try to optimize the shape and holding of our portfolio. One thing that we could do as some of these projects gain scale is to monetize parts of the...parts on FID. So there is so much appetite from financial investors and from IOCs and from bigger companies for new attractive integrated projects. Some of our projects, you know, we may have the CAPEX and have the EBITDA and continue to consolidate them, but we may have minority partners in the projects to reduce the cash out, but that's not something that we have put in the numbers. So €23 billion we can sustain but several options to increase that if opportunities arise or if we decide to lower the gearing we have those in the pocket.

When it comes to the premium, look, I think there will need to be a level of harmonization in Europe. We have made much higher returns in all our international projects than we have in Italy. And so, there is a point in which some of these new more cutting edge, more technological projects will need to get some form of premium in the market. So I am confident that we will get there. We don't need it defined until 2025, because as I said we won't start investing this money before then. So there is a period of time when all this can be penned out. I don't want to talk about turner's [ph] returns, but I think the dialog in general around the opportunity for Italy to be hydrogen hub is a very, let's say, high level, intense dialog that has evolved over the last 3 years into something that's becoming more and more tangible with our announcements today.



ALBERTO GANDOLFI: Thank you.

MARCO ALVERÀ: Thanks.

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

ENRICO BARTOLI: Hi, good evening and thanks for taking my question. The first one is related to the new pipeline that you are expecting to develop after '25 for connecting Southern Italy to Central Europe. Actually, I guess, that the development of this pipeline is based on also a massive development of hydrogen production in the North African countries. I was wondering, let's say, what level of visibility we have that actually the North Africa countries are going in this direction. And if there are some political differentials that European level with the government there in order to develop this value chain over the next few years?

The second question is related to the development of EBITDA that you expect by 2030. If I am right, you are targeting an EBITDA between €4 billion and €4.8 [ph] billion, if you can provide a hint of the breakdown between the networks, the storage and the contribution from the new energy projects and particularly on those considering that for 2027 [ph] you are guiding to more or less 180 [ph] million [indiscernible] if we can assume that this figure would at least double by 2030?

And the third one is related to the new technical development that you highlighted in the storage business, this new test that [indiscernible] it would be possible. I was wondering, what is your confidence of the possible industrial developments on these findings and possible timing of, let's say, increasing visibility on the industrial visibility of this technical developments? Thank you.

MARCO ALVERÀ: Okay. So the good news on the hydrogen pipeline, contrary to an electric interconnection. First, as I mentioned, from Tunisia to Sicily, we have 5 lines.



So one of those could be converted even with relatively little volumes, the pipes can operate at high pressure, but also at low pressure. So there's a lot of flexibility and the good news is that you don't have an inefficient system, even if the pressure is lower up to a point. So you can start converting a piece of the pipe, even with relatively small volumes. Thank you, and Enrico because you gave me the opportunity to clarify something that I should have said earlier, this backbone does not depend on North Africa, it will habilitate North African hydrogen, but we can do and sustain the backbone just to move hydrogen from the South of Italy to the North of Italy. So it's not contingent on anything happening outside of Italy. But of course, it will be an enabler of that.

The 2030 EBITDA, I think, we've given the level of disclosure that we're happy with at this point. So you can work out based on those CAPEX figures and return expectations and growth targets more or less the breakdown. As I mentioned, the new energy businesses will be €150 million EBITDA in '25, €180 million in '27, and I think continuing to grow nicely thereafter.

On the technical development on storage, this is really an industry breakthrough, because we suspected that that was possible. But there was a lot of skepticism also among some of the leading engineers and geologists that we were interacting with. So to be able to say that we can comfortably considered finished the first phase of this experiment in lab experiment is incredibly encouraging. We don't need to store hydrogen anytime soon, but it means that our investments and hopefully more importantly the European investments that should be made in integrated storage projects are really, really future proof and this is no longer a problem of stranded assets in the energy transition. But it's an opportunity of having depleted fields available to fill them up at very low costs at ultra-low costs with completely flexible, clean, abundant and ultra-cheap, new hydrogen. But the timing of that is not going to happen any time soon, it will happen sooner and perhaps not starting in Italy but starting in the UK and Norway is CCS and things like that



we are really...can play a big role, because essentially, the skills you need for CCS are exactly the skills that we have.

ENRICO BARTOLI: Thank you very much.

OPERATOR: The next question is from James Brand with Deutsche Bank. Please go ahead.

JAMES BRAND: Hi, good afternoon and well done on the plan. I had 3 questions on different topics. Firstly, on the new incentives that you could be getting, you said you are trying to get some incentives into the plan, you didn't seem particularly enthusiastic that they could be material in making that comment. But equally on the other hand, I can understand that you might want to be quite conservative at this stage before it's set out. So I was just wondering, whether you could comment on whether you think those incentives could be material for you or not?

And secondly, question on the storage investments, I guess, both the investments out to 2025 and thereafter, the investments into 2025, just to be clear what you're spending the money on that, is that all going into existing gas storage assets? And is that partly just start to read then for hydrogen or is it something else? And then in the plan from new storage out to 2030, is the new storage facilities incorporated into those numbers?

And then thirdly, I've asked you this question before, but I can see, obviously, your thoughts on the whole hydrogen topic is evolving rapidly and it is very impressive how much work you do in it. So I'd just be interested in asking it again. And the question is, on pathway for the transition on getting from where you are now to industries using hydrogen. Do you see that coming through de-blending and because I think de-blending is quite expensive at the moment? Or do you think that some of this actual investment in hydrogen backbone complemented with redundancy in your current network



that you can have dedicated pipelines, and just interested in how we get that? Thanks a lot.

MARCO ALVERÀ: Thank you. So the...no, the reason you may have perceived some frustration in my voice on the output based incentives is because this for me is a no brainer, because it's really in the system's interest. So we have some in, there's a range we will see what the new consultation will be very shortly, I think, around the middle of December. And hopefully we can settle this very soon in the New Year, I was hoping to get it done by the planners, hoping to get it done by...but I understand there's been some delay, but I don't expect any real negatives there. And so, we...because the dialog is so active, we don't want to give specific numbers at this point. But this is kind of good news for the system and for us. And it really creates even more optionality and flexibility if we can avoid replacing some assets also in the context of developing the new corridors.

When it comes to storage. Yes, we will have incremental storage capacity, I think at a standard 500 million cubic meters, so 0.5 billion cubic meters. What's happening in storage is a similar to what's happened sooner in the grid. So we have some mandatory investments, we have to make for security compliance, which has become more stringent. We have some replacements so fully amortized and necessary to replace assets. We have some well...investments in the wells themselves. We have some investments in the dual fuel compressor stations, which are going to enable us to reduce the CO2 and methane emissions and we have to get emissions of methane essentially close to zero. So these are all good and healthy investments that contribute to the RAB growth and that we absolutely need to carry out until 2025. And then we have the new storage, as I mentioned, going to look at CCS, as well as, maybe salt caverns and other hydrogen ways of storing it.

When it comes to the way I see the market develop. I see our network being at overtime and maybe not everywhere, not in every country we operate. I



see networks evolving to be able to transport CO₂, biomethane and hydrogen. So there will be 3 types of network, in Holland, you already have a CO₂ backbone for example as well as some hydrogen backbones that are already beginning to operate particularly in North America.

The blending is simply a means of creating a market to break the chicken and egg to create immediate, low cost demand for hydrogen, I agree with you, it's not the most energy efficient way to deliver hydrogen. So it's exactly what we did with the biofuels directive you may remember to create a kind of overnight market. The beauty of blending, the reason I'm a blending advocate, is that you can dial it up and dial it down, depending on the real demand builds that the customers have. When I talk to customers, and I talk to a lot of big industrial users, I break them up into 3 camps, first people who simply want the CO₂ taken away from their factories, they have complex industrial processes, they need CH₄ either as a feedstock or in very high precision percentages and quality and they don't want to deal with changing their whole infrastructure, they just really want to get out of the CO₂ as quickly as possible.

Then, we have customers that are happy to invest, to take on hydrogen and they are doing that at a pilot phase. And you know, that potentially gets into the way of really decarbonizing the system, because we don't really need a lot of pilots, but they understandably want to see the impact on their factory, a lot of this equipment is proprietary, they really want to test it in-house before committing to bigger volumes.

And then there is customers who use essentially hydrogen...sorry, today use natural gas for very high heating for example to make ceramics or some types of DRI, you know, there is some green steel projects that are popping up here and there. Here you have customers that are ready to commit to big volumes of hydrogen very quickly, so the market will develop along these 3 routes. The good news is for Snam to play a big role in all 3 both because



of the transport, because of the storage and because of our commercial outreach into these markets where we really have a lot of credibility.

JAMES BRAND: Very interesting. Thank you very much.

MARCO ALVERÀ: Thank you.

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

JOSE RUIZ: Yes, good afternoon and thanks for taking my questions. It's just 3 quick clarifications about the presentation. #1, could you tell us when are you assuming...which year you are assuming that you will have Italian regulation for hydrogen networks for transport? Secondly, in Slide #15, the €12 billion investments and €3 billion for transport, where is repurpose and where is dedicated, so would you include...have included repurpose of hydrogen in the first category in CH4 transport or is all included in hydrogen transport the €3 billion?

And the third question is on the same table, in storage, so new energy storage, the €2 billion, I was wondering what is the reason why this shouldn't be included in the RAB, is that because it's too early or you are expecting a later regulation and storage, or you are just considering that any new form of storage is not going to be regulated? Thank you very much.

MARCO ALVERÀ: This also allows me to clarify something. So, on the €3 billion, on the regulation for the €3 billion, we don't need that before 2025, however, before the end of the year, the commission will publish their draft gas package and hydrogen package and there will be a usual kind of 18 month consultation around that. So, that's really what happens.

When you look at the €12 billion and you see a breakdown of that as we go into 5-year plan, a lot of that is replacement. When you look to the €3 billion, all of that is repurposing to make it hydrogen-ready. So, that's basically



entirely reproducing and to be specific that doesn't include the compressor stations potentially to export the hydrogen into a Northern Europe, so that's for the €12 billion.

Regarding the new storage, now we wanted to be crystal clear here, so I put that little star on the €2 billion and the €3 billion. I think none of this will be regulated, but that's being a little conservative, because in Ireland for example, I think it will be regulated. But, because I don't know yet, I put it into the non-RAB so that the RAB figure I gave you is essentially a function of what we have in Italy, what will be entirely and most certainly regulated as RAB. But, I will...if I have to make a bet, some of the €3 billion plus €2 billion that have that...that footnote will eventually be regulated.

JOSE RUIZ: Thank you.

MARCO ALVERÀ: Thank you.

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

JAVIER GARRIDO: Hi, good afternoon. In the interest of time, I will just make one question. Let me say generic question on affordability and you are talking when this kind [indiscernible] you are talking about higher RAB growth from 2025 onwards, you are also talking about the [indiscernible] returns for [indiscernible] investments? And how would you make that fit into an environment where the later is showing to be a mindful about the costs of the service. And in a context where there will maybe pressure on the cost of the raw material with also hydrogen cost in Italy being high, I mean, how do you square the circle of getting higher returns, growing faster and making the businesses develop further. Thank you.

MARCO ALVERÀ: You touched on a key point. So, I think the first path to affordability is for Europe to build more gas storage that will then...or fill up the existing gas storage that sort of scale down and China is doing the same and we should



do the same to scale down the competition for winter gas, because no one will want gas in the summer, it's going to be very cheap and the opportunity to store more gas in the summer will help Europe, will help the energy transition, will help Asia as well get quicker off coal.

When you look at the Fit for 55, so much needs to happen that we are talking about is by far the lowest...to use a modern concept, the lowest green premia and the lowest hanging fruit to the lowest abatement cost. And so, we are talking about tiny numbers in the context of the energy transition and the PNRR, the National Recovery and Resilience Plan for Italy is a generous one, a big part of that is earmarked for hydrogen and the good news is that covers really the 2022 to 2026 period, which if you look at the hydrogen costs is where you need some support before it reaches the parity level. So, the end game is to deliver energy which is cheaper than today's notwithstanding our extra returns and a lot of the other players incremental returns from the CAPEX. And I think this is a common theme also looking at some of the other utilities presentations in the last few days.

I think we will now believe as you can get hydrogen to \$1 a kilowatt, \$25 a megawatt hour, we are paying gas \$90 today. So, there is really a near-term opportunity to address the affordability issue with cheaper renewable energy and we have this big resource available from the national recovery plan to help not only bridge that gap when hydrogen is more expensive, but also to give it nice and gentle nudge to get the snowball effect rolling?

JAVIER GARRIDO: That's very clear. Thank you.

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

ANTONELLA BIANCHESSI: Yes, hello, good afternoon, very few questions. The first one if your net debt guidance for 2022 already includes the impact of the acquisition of the pipeline between Algeria and Italy. The second, if you can quantify the contribution of this asset to your net profit? Then if you can give



us a little bit of guidance on the contribution of the affiliates...international affiliates in 2025, so how much of this is coming from this? And finally, if in your projections you are assuming that the allowed return would remain stable or if you have any kind of changes depending on rate assumption and the 3 year adjustment and all the other things is affected by the regulations? My last big picture question is, the clear bottleneck to your vision is that the development of renewable in Italy which was really poor also in 2021 and also this idea to develop hydrogen in Africa? Would the company be willing to directly invest in these assets given that they are so keen to the implementation of their vision?

MARCO ALVERÀ: Thank you. Thank you very much Antonella. So yes, we...net debt includes the acquisition, the target. The average contribution is around €25 million for the plan period. The...Ale maybe you answer the affiliates question. The...I will take the last point on the direct investments. I think there will be a rush to invest in renewable project, wherever there is space, so what hydrogen really does, and what our backbone does is debottleneck some of these investments that are currently not proceeding, because there is a bottleneck on the power grid, so it's really an enabler for greater renewable growth as I mentioned to hit the 8 gigawatt per year, Italy significantly has to ramp up those investments, and I don't think we have the luxury of choosing where to make them, we will need to make them where's land, where there's local acceptance. Of course, where it's sunny would be better, and the backbone is a very neat way to debottleneck a lot of these investments.

ANTONELLA BIANCHESSI: On the international...

MARCO ALVERÀ: Oh yes, sorry, sorry on the WACC you were asking me if it was stable? Yes, we assume it's stable throughout the plan, so it's...that €85 million that I talked about flat for the plan.

ALESSANDRA PASINI: On the international associate by 2025, the entire portfolio will contribute something in the range of €108 million, the mix of the decline that



Marco commented and I commented before of some of our Austrian associates which will run on a short term contract basis versus long term contract basis with lower remuneration, compensated by the contribution of both change perimeter and the other associates.

ANTONELLA BIANCHETTI: The 180?

MARCO ALVERÀ: [Multiple speakers]

ALESSANDRA PASINI: For the international ones, just international ones.

MARCO ALVERÀ: I think you need to add around a 100 for the...for the domestic...for the Italian.

ALESSANDRA PASINI: Yes, at least, yes.

MARCO ALVERÀ: So it's kind of 280 and 180.

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

STEFANO GAMBERINI: Good afternoon everybody. Few question also from my side. The first, regarding the investment in the energy transition out of €1.3 billion of investments, you double...more than double the investment in biomethane and gas mobility. While in the meantime, in hydrogen, the investment increased just by €100 million, while there are a lot of support from recovery fund, there are lot of projects where you are involved. Why despite all these investments and all the support in incentives that have to be spent by 2026, you increased just by €s100 million investment in this area?

And the second question is just, if you can give me an idea, what are the main cost performance differences between the alkaline electrolyzer from De Nora and the PAM electrolyzer from IPM. So what you expect could be probably the win in the long run?



The last...from your side, considering the development of hydrogen that now are mainly focused on heavy transport or hydro-based sectors. Do you expect that in the long run, hydrogen could be also replaced natural gas for heating system or do you think that this is a very unlikely scenario? Many thanks.

MARCO ALVERÀ: Thank you, Stefano. I'll take the 2, the second and third, and then Alessandra will answer on the new energy CAPEX. The PAM and the alkaline perform different jobs. So PAM is good for more flexible, shorter-term swings, smaller footprint, smaller projects, and the alkaline is better for the giga projects, the bigger scale projects. We're still in the early stages of...that's really scaling up this technology. So we are happy to be involved in both, and we think both are needed, and we suspect that we will soon run into manufacturing bottlenecks similarly to what's happening in batteries.

The good news is that we're moving away from rare materials and that's where a lot of the R&D is working on and the performance of some of these electrolyzers is improving and so is their durability. And, we will also have new types of electrolyzers like solid state, et cetera, et cetera that's emerging, I'm sure. So this is an opportunity for people like De Nora who have been in the space for decades to really continue to invest and stay ahead of the technology and that's what we want to do with our hydrogen venture capital and R&D programs that we're very seriously spending time and money on.

When it comes to heating for...I don't know and some people are very much in favor, others are very much against, whether hydrogen will be delivered to all the homes. I suspect it will be delivered to some homes. I suspect some people will want to have a hydrogen boiler that behaves exactly like their natural gas boiler and other people who are refurbishing the entire home will move to heat pumps. What I do know because of the slides I



shared with you on the storage is that even that heat pump will have behind it a hydrogen storage system to provide that winter heating power.

Now in the UK, where you have a lot more wind in the winter than in the summer, you can do with less heating. But in Germany and Italy, for example, where you have plenty of winter days with no wind at all, then you will need a lot of hydrogen, even if in the home it's a heat pump, it will still be essentially hydrogen heating. Ale, on the new investment.

ALESSANDRA PASINI: Yes. Coming on the new investments on the new businesses, the reality is that we grow...strong increase is on biomethane, where you have this 700 net net of grants, around 700 and change of millions of investments. Mobility is essentially flat vis-à-vis last year. So there is no change, equally energy efficiency is essentially flat vis-à-vis last year, and we are increasing hydrogen by €100 million versus what we had in the past plan. And as Marco was saying, these initiatives are those that are consistent with all the submission that we've made to the different incentive programs, so the said innovation fund. But of course, we will monitor how the P&L will evolve to the extent that more opportunities will come relevant to the initiatives that Marco just specified at length, that we are taking forward with all the customers that are today connected to our grid and looking to understand what it will take to decarbonize.

STEFANO GAMBERINI: So just a quick follow-up. So do you expect a lot of room on this hydrogen projects in the forthcoming years or do you think that the main investments will remain in biomethane plants?

ALESSANDRA PASINI: We, its 2 different things, I think we put in the plan, what we have visibility on, based on the submission we have already made on this incentive and funding schemes. It doesn't mean that we could increase what we are going to invest in hydrogen, we simply lack the complete visibility. We do have a number of other initiatives that we will continue to bring forward and that could mean that the mix, when looking at the overall



investment plan, looking forward could change with the greatest share of others and vis-à-vis the big increase that we are already showing in biomethane where the increase is around the €600 million vis-à-vis last year plan.

ANALYST: Okay. Thanks a lot.

OPERATOR: The next question is from Chris Laybutt with Morgan Stanley. Please go ahead.

CHRIS LAYBUTT: Good afternoon, everyone. Thank you very much for taking my question. I've only really got one left just on the Algerian asset contribution. Marco, you mentioned the level earlier. I missed it, I sort of maybe in €20 million or €25 million. Is that contribution at 2022 or 2023 full year contribution? And just some sense for the contract composition within the portfolio that it would have. Do you expect that to grow with inflation or is it a relatively flat contribution over time over the next few years just to give us an idea of the evolution of the asset as far as you can see at this stage. Thank you.

MARCO ALVERÀ: Thanks a lot. So the closing is expected in the second half of next year. So the contribution in 2022 is very marginal. The contribution will be 25 average for the plan period. There is an earn-in, earn-out mechanism depending on the actual volumes of gas that flows, because the contract is tied to volumes of gas. And so, we have been able very constructively with any...to kind of...that's a pass through, so that we are not taking any essentially volume risk on this very strategic asset. So the yearly flows will depend on the volumes and we will be providing update it on our forecast. The good news is that the volumes are decided upfront and they don't really change unexpectedly.

CHRIS LAYBUTT: Okay. Very useful. Thank you very much.

MARCO ALVERÀ: Thank you.



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

BARTEK KUBICKI: Hello, and good afternoon. Few things left, if you don't mind. Firstly, I would like to maybe stress test with your long term CAPEX assumptions to a scenario where actually a centralized hydrogen production doesn't work and it replaced with a decentralized hydrogen production and for instance Terna moves on with their planned to have a certain amount of pump storage deployed in Italy plus for instance Russia pushes with the high blue hydrogen production. How do you think your outlook on 2030 could change?

And then some clarification, if you don't mind? Again, on Algeria, because you're talking about €25 million contribution whereas in the press release for the transaction, you mentioned €90 million for 100% of the assets earned in 2020. So I wonder where the contraction is coming from. And also on the WACC, again, from '25, I think we can assume with quite high level of probability given the consultation [ph] papers that actually the allowed WACC will decline in '25. So I wonder what is the reason for actually keeping it stable. And maybe the very, very last small point, if we look at your today's cost of debt and your 2025 cost of debt, what do we assume in '25, please? Thank you.

MARCO ALVERÀ: Good, thank you. So Ale, maybe you take the Algeria €90 million in 2020 question, I'll take the first and the last. On the...so we will need everything. We will need all of the pumped hydro, we will need more, much more than the CAPEX that we've put in our kind of non-methane CAPEX and even that won't be enough just because of the level of intermittency and volatility and unpredictability and seasonality that we will have in storage.

Blue hydrogen will be very narrowly defined. And I think the new government in Germany is very much favoring green over blue. But look, Snam is incredibly nicely hedged. If methane continues to run, we are happy. If



biomethane grows further, we are happy. If blue hydrogen comes, it's exactly the same infrastructure that we use for green, even gray hydrogen would behave in exactly the same way in our pipes and in our storage. So we're very nicely hedged and if anything, I think there will be upside opportunity to this plan both 2025 and the 2030 plan.

When it comes to the WACC, you are right. If we take today's forward curves, there could be some adjustments in the last year of the plan. The current forward curve is quite steep. I suspect it could flatten slightly as concerns about the pandemic extend. But there is so many moving parts to this that I thought it was easier to just keep it flat. That certainly helped our Board and our management team and hopefully helps you also be able to see through the WACC and look at what's happening apart from the WACC and then when the WACC number is finally precise and approved and we will all adjust for that and be able to adjust for that very quickly. Ale on Algeria?

ALESSANDRA PASINI: Yes, so on Algeria the reference was through the 2020 [ph] net income contribution on our ENI full share basis. As we said, we are have worked with ENI to effectively design a mechanism that completely protect volume risk according to a contractual base line. So, we...that means that number hedges us vis-à-vis delta. So, the...if we were to apply what we have bought to 2020 numbers it would get at €45 million contribution, the 25 numbers that Marco indicated the average, there will be years where the contribution is higher, maybe similar to the 2020 numbers and years where it is lower. But, it doesn't really matter versus what we pay, because we have a euro per euro actual protection until 2029. When it comes to the cost of the debt in 2025 its 1.1%.

BARTEK KUBICKI: Okay. Thank you very much.

OPERATOR: The next question is Emanuele Oggioni with Kepler Cheuvreux. Please go ahead.



EMANUELE OGGIONI: Hi, good evening everybody and thank you for taking my questions. I have one left, on...it's quite general, on the how...Snam could be impacted by the new global methane deal from COP26, I know you provided on Slide 5 referral on this, but I wonder what would be the next moving part could affect or deposit for Snam? Thank you.

MARCO ALVERÀ: Yes, we are completely determined to getting to zero emissions of methane. We start from a very low base 0.07 so there is a work CAPEX that we are doing some of our leakages where there by design, and so there is some equipment that were changing really to be able to strip out of the methane leakages. So we think the head start that we have...because we started working on this 5 years ago, again will be a competitive advantage as our ESGs for that Alessandra mentioned would be based on that, and will get us an even...we are already doing better than the COP agreements and then the COP targets, so we are...we see this as a further area of our performance.

EMANUELE OGGIONI: Thank you.

MARCO ALVERÀ: Thank you.

OPERATOR: There are no more questions registered at this time.

MARCO ALVERÀ: Okay. Thank you all very, very much for the questions and for your interests and attention and hope to see you soon in person. Bye-bye.