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First Quarter 2022 Financial Results - Conference call

Thursday, May 12, 2022, 15:00 CET



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ALESSANDRA PASINI, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Snam First Quarter 2022 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Stefano Venier, CEO of Snam. Please go ahead, sir.

STEFANO VENIER: Thank you. Good afternoon, and welcome. I am here with Alessandra and the IR team. Let me introduce myself first. I am Stefano Venier, I have been appointed as Snam's CEO on April 27th, and therefore I am in the office since couple of weeks, I would say. Some of you know that I've spent the last 8 years as CEO of Hera Group the Italian multi utility, but I'm being in this industry since 30 years.

I have to say that I began my journey at Snam in a moment in which we must consolidate our energy security, while at the same time continue to pursue the energy transition. Snam is ideally placed to contribute to addressing both those challenges and deliver sustainable growth. I give you my brief update on quarter's key highlights, and then I leave the floor to Alessandra for a detailed analysis of our results.



On Page 2, in terms of the market context, we are obviously in an extraordinary situation with continuing gas demand growth, high prices and rising inflation. Gas demand was up 1.3%, mainly owing to lower hydro production in the power sector. Export to North Europe reached a record of 0.9 bcm that is 5 times the previous year's level, confirming the growing role of Italy as a transport hub.

Raw material prices and the cost of energy are driving a strong rebound in inflation. RAB deflator reached 2.1% on full year 2021, with impact on 2023 revenues, well above recent years levels. I would recall that last 3 years average was at 0.6%. Inflation expectation have risen triggering a tightening in monetary policy with an increase in the investment rates and spreads.

In this environment, the mark-to-market of weighted average cost of capital in 2025 is flat versus current level. Policy is supportive of Snam's role both to ensure supply security and to enable the energy's transition as I said.

You will have read that Italian government has mandated Snam to acquire 2 floating vessels for re-gasification of gas. On one we are in advanced negotiation, while we count within the next days to sign a term sheet to start, let's say, an exclusive negotiation for the second vessel. Meanwhile, we are moving to define the framework on full depreciated assets.

As you probably know, on May the 3rd, Arera has given Snam a mandate to define and certify a methodology to determine which pipes need to be substituted and which can be continued to be operated, which is a very positive step forward, to ensure the long-term health and viability of our assets.

Snam continue to provide its essential service to the country, while working to increase supply security. Italy has a relatively strong position, thanks to ample transport spare capacity and large storage facilities. As far as storage is concerned, we are at 42% full as of today, also thanks to the gas injected



by Snam that, on ARERA request, has stored the operating volumes needed for the year in April, thus supporting the infilling before the winter.

In this context, we have delivered very strong results. EBITDA is up by 5.2% year-on-year, and adjusted net profit is up by 3.8% year-on-year with higher RAB based revenues and incentives and the strong performance of associates, offsetting in that sense the impact of the reduction on weighted average cost of capital.

Net debt reduction vis-à-vis versus year end was driven by a temporary working capital swing. We have reached about 65% of sustainable funding further progressing toward a target to reach more than 80% by 2025. We continue to make progress on our business, investing €223 million mainly in maintenance, replacement and development, referring to new connections of bio gas and the CNG plants.

We have executed a first tranche of the agreement with Asja at the end of 2021, by acquiring 2 plants for a total consideration of about €70 million and we are working with De Nora to apply by autumn for the resources made available by the National Relaunch Plan and IPCEI for H2 technologies.

On Page 3, to have, let's say a global picture on the market integration and security. The current drive to increase supply security and accelerating energy transition plays well to Snam's portfolio of assets. Our associates are located in strategic regions which enables us to diversify risks and capitalize on opportunities.

LNG will be key to Europe's supply diversification, so it will require leveraging the large spare regasification capacity in the Iberian Peninsula. This is promoting the relaunch of the so-called Midcat project which would increase by 8 bcm the interconnection capacity with France. The investment are also consistent role with the development of the European hydrogen backbone.



Our associate Terega could be involved with a potential investment of around €400 million.

In addition, an MoU has been signed between Snam and Enagas to jointly mandate a technical feasibility study for a potential construction of an onshore pipeline by 15 to 30 bcm connecting Spain to Italy to diversify gas supply for Italy and Europe.

The Greek government has submitted projects to EU in the context of repowering EU which includes the following projects to increase the system flexibility and the ability to supply Balkans which strongly rely on Russian gas. First, increase of storage capacity on ready-to-sell LNG terminal through the installation on floating system, that will enable to use the terminal at full capacity, that is 7 bcm versus the current 2.5 bcm that has been reached in past years, enhancing the optimization of the cargos of unloading scheduling; second an overall upgrade of the pipes and compressor station to provide more flexibility in the transportation of increased natural gas flows also versus neighboring countries. In addition, DESFA acquired at the end of last year the 20% stake of the Alexandroupolis LNG terminal which is expected to be operational by '23 with a capacity of 5.5 bcm.

TAP has worked at full capacity in the first quarter of 2022, covering nearly 10% of the Italian demand. By the way, April topped the record in those deliveries. There is an ongoing market to expand the capacity with the binding phase expected to expire by year end. This could bring to...up to an additional 10 bcm of gas into the market within the next years.

The interconnection in UK is performing ahead of expectations, given its strong utilization in light of the gases spread which has supported export flows from UK to Europe. TAG and GCA are the most exposed to Russian gas given the weight of Russian volumes and TAG role of transitory through to Italy. Nevertheless, we consider the assets to remain strategic given the



possibility to work in reverse flows from Italy to Austria and to provide the European market with gas today and hydrogen in the future.

Finally, our recent acquisition of stake in the Transmed pipeline with closing expected in Q3, strengthened our position in the increasing important route from North Africa that is becoming even more important according to the recent agreement that ENI and Italian government has reached with the Algerian government to increase the export by 9 bcm within the next couple of years.

So now I will hand over to Alessandra for a closer look to our results.

ALESSANDRA PASINI: Thank you Stefano. EBITDA for the period was €588 million, up €29 million versus last year. This was reached despite the effect of the WACC review that has been applied starting from January 2022 and which implied €32 million cap between our transportation re-gasification, and storage revenues.

The WACC revision was more than offset by €28 million increase in regulated revenues, mainly attributable to the tariff RAB growth for more than €10 million, the positive commodity effect of €8 million that is due to the good volumes commented before versus the reference volume level that was set 2 years ago and also thanks to the record export volumes, as well as, an increase in the output based incentives up plus €7 million mainly due to the default services provided during the quarter as some shippers went under financial stress.

Input based incentives were down by around €2 million in line with the expected phase out. €33 million one-off contribution from the sale of past year gas on excess inventory. The sale was made in the fourth quarter 2021 on a forward buy to make the gas available to the system in January 2022.

Fixed cost rose by €7 million, this is partially due to phasing effect, mainly referring to lower capitalization to be recovered in the next quarter and the



remaining refers to higher utilities costs. EBITDA of new businesses increases by €6 million versus the first quarter of 2021 and the growth is mainly attributable to the strong performance of energy efficiency, mainly thanks to the residential business.

Moving to our net profit. The net profit for the period was €325 million up €12 million versus last year. Interest expenses were slightly higher, driven by gross cost of debt that moved from 0.8 on a full year basis 2021 to 0.9 in the first quarter. This is due to the issuance of a new €1.5 billion of sustainable linked bond in January '22 at a marginally higher rate than 2021 average cost as well as lower treasury management optimization opportunities, as a consequence to lower debt level as an effect to temporary positive working capital.

It is worth noting that the bond issuance was executed with a very good timing and covered large parts of the funding plans for this year locking in competitive cost of an average of 1% for a 10-year maturity compared to current condition. That would be close to 3% for a similar tenor bond.

Associated contribution was higher by €10 million, mainly due to the strong performance of our interconnector UK associate that is already close to its maximum yearly potential contribution, thanks to higher export flows supported by gas prices spread and greater LNG availability in UK, which is an effect we already saw in the last quarter of 2021.

The very strong results of the De Nora are driven by revenue growth, thanks to good performance of water and electrodes coupled with an increase in profitability and very strong fixed cost control, as well as, a very robust backlog which paves the way for another strong year. These effects were partially offset by the expected decline of DESFA due to lower regulatory tariffs and higher energy cost, those recovery will occur from 2023 based on the Greek regulation. The average tax rate for the period is circa 23.5%.



Turning now to our cash flow, the cash flow from operations for the period amount to €1.7 billion, including €1.2 billion of cash generation from changing working capital. The strong positive effect is temporary and we do expect a reversal in the next quarters.

As we have previously explained, from January 2020, Snam is responsible to cover gaps between intakes and off-takes of the distribution network, buying and selling gas on a daily basis at market prices. Moreover Snam operates as a default service provider, meaning that it is required to supply gas for a limited period of time to customers whose shippers lost the commercial conditions to operate in the market.

These activities can generate temporary working capital swings due to the time-lag of reimbursement without any impact on our P&L except for interest income due in case of delayed by customers benefiting for this service. Snam can benefit from some output-based margin from the default service as occurred in this quarter.

In March 2022, the change in working capital was mainly the result of €1.2 billion for a cash generation from balancing and settlement activities that include the collection of receivables for around a €0.5 billion related to gas purchase carried out in the last month of 2021 to cover shippers short position in the market and increase in payables for almost €900 million related to Snam gas sale to balance shippers that were long positioned in the first 3 months of 2022.

Additional cash generation due to the increasing shipper deposit as a result of the increase in gas prices and a small positive balance of the settlement activities for something more than €100 million. This was partially offset by an increase in the receivable related to the default service that I commented before for almost €300 million.



Amongst other minor changes, we also experienced some absorption of cash from energy efficiency due to the growth of the sales of the deep renovation line of business as expected.

Other outflows of the period have been the net investments related to our CAPEX plan, as well as, CAPEX payables in addition to the cash out for the acquisition of our Anzio and Foligno plants as part of the broader Asia agreement. The interim dividend paid was €344 million.

Thank you for your attention. Stefano and I will now be pleased to answer any questions.

Q&A

OPERATOR: 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 touchstone 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 Harry Wyburd, Bank of America. Please go ahead.

HARRY WYBURD: Hi there, good afternoon, everyone. Thanks very much for taking my questions and welcome to the new CEO. 3 for me, please. The first is just on the sale of past year's gas inventories, which benefited the Q1 numbers. I just wondered if you could give us a bit of an explanation of what happened there, because I guess we're quite unused to it, Snam being not sensitive to pricing or volume. So I just want to understand whether you are able to generate a material increase in earnings. So that's the first question.

And the second one is given, you've had a better performance in the UK [indiscernible], why didn't you increase your net income guidance slightly or is it now just a sort of lower bounce for net income guidance for the full year?



And then the third one, I guess, the new CEO, is probably a bit too early to ask what your kind of strategic views will be given, you've only been in for a couple of weeks, but I wondered will...do you plan to have a Capital Markets Day or Strategy Update or something like that later in the year? When can we expect to hear on what your view is visionary for Snam? Thank you.

ALESSANDRA PASINI: When it comes to the gas inventories, this was a really unique phenomenon. So you shouldn't be concerned about volatility. As a result of past management of gas losses in the system, we had accumulated a small excess of inventories that is not required for our operational activities. And as a result of having now a very clear situation on that we just took the decision or make those gas volumes available to the system on a month that typically is a good month for providing liquidity. And that's simply why we decided at the end of last year to do what something was...that was done...let's say due to be done, but we had never had and we will not be having in the future excess inventory.

So this is really a unique phenomenon that was the result of a very peculiar situation emerging for the prior 2 years, I would say. And so, it's really a true one-off in this sense.

I think that when it comes to the guidance, you should recall that we had anticipated some contribution from output based incentives related to the replacement for 2022, which as you could guess from the publication from ARERA that has taken place on the 3rd of May, it's unlikely to be happening in 2022. So, on one side, take that into account as a minus and you take the contribution of the one-off on gas sales on the other. We are consistent with what we told you before in terms of a guidance of €1.1 billion.

OPERATOR: The next question is from Javier Suarez with Mediobanca.

STEFANO VENIER: Just a moment. Sorry, I had a question. I need to reply. That is about. As you said, I'm in the office since couple of weeks. But of course, as I said,



I'm in the industry since 30 years. So, the situation is really let's say evolving. I would say. As I told you there are...there is a significant effort now we are devoting to secure those 2 vessels for the re-gas and to try to put on stream as soon as possible reasonably, we count the first next year. And the second in 2024, this is certainly one of the things we are reviewing. Therefore, I think that for time being the strategy of the company is the one that I mentioned in my introductions and that is working for security of gas, focusing on the investments on the core infrastructure that now is required. And of course, supporting the long run of the transition, as you probably read in the press release, we we will make an update of the Business Plan by January next year. Rest of the year will be therefore dedicated to capture some of the facts that are ongoing. The latter was mentioned by Alessandra that is also this review on according to the last the last ARERA document, consulting document, so there are many things ongoing. We will keep you updated. Of course, we will have other 2 interim period that will represent the opportunity to keep you updated on what is going on.

STEFANO GAMBERINI: Okay. Many thanks.

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

JAVIER SUAREZ: Hi, good afternoon and congratulations to the new CEO. 3 questions from me as well. The first one is a follow-up on the guidance for 2022. You have explained the offsetting factor of lower output base incentive compensated by a higher contribution from the gas disposal [indiscernible] the guidance also confirmed in terms of net debt on CAPEX by the year-end. I think that in the latest [indiscernible] you mentioned something like €13.8 billion of debt and then €1.5 billion. I know that there are several moving pieces here. But any guidance on these 2 numbers would be useful?

Then second question is on the...obviously, there are plenty of CAPEX opportunities related to the necessity to redesign the European Gas Sector. So can [indiscernible] an order of dimension of the CAPEX opportunity that



they are direct interconnection with the Spain would imply for a company like Snam or another dimension of the additional capital you foresee as a consequence of our significantly different geopolitical scenario. And also can you help us to understand when do you [indiscernible] the company will start to invest on hydrogen related opportunities.

And the very last question is on the mandate by ARERA on a proposal on how to remunerate the fully depreciated assets. You can give us fair views on how do you [indiscernible]. Many thanks.

ALESSANDRA PASINI: So Javier, on the guidance of net debt, you will have seen that the first quarter has the very strong positive cash flow coming from tariffs related item, which as I said, we expect to revert. We are currently confirming our CAPEX plan, absent new things on which as Stefano mentioned. We are working on the FSRU. So without considering that we confirm what we said before, we expect the reversal of this items and effective to land based on the same CAPEX plan on the same net debt guidance that we indicated before.

STEFANO VENIER: Hi, Javier, thank you. Thank you for your message in beginning. About the priorities and the opportunities across Europe. I think, we will look forward to see the new repower EU document that will be released within the next I think 7/15 days. In that document we will see the final conclusions in terms of priorities that Europe is setting to on one side to let's say reduce the dependence or say try to zero, the dependence on Russian gas. And on the other side, the initiatives that will be promoted supported eventually even with let's say some funding to increase and enhance the interconnection between countries.

As far as, Snam is concerned, I mentioned the opportunity to work on the relaunch of the project called MIDCAT between Spain and France. That is a sizable investment that, as far as, the entire projections is concerned is €3 billion, the part related to Terega as I mentioned was €400 million and



therefore it's sizable opportunity we see in the reasonable near future. And I think that the attitude of the government that initially in the past, okay it wasn't...weren't supporting the project now turning especially the Spanish government.

On the other side. I also mentioned the...let's say the demand stream from east that is based on the DESFA developments and the TAP. TAP market test will turn out with the final results by year-end. And this will guarantee a 2-step development. First step to increase and to enhance by 20%, 25% the capacity of the network and then by 100% of capacity within the next 4 to 5 years eventually, and the total investment for step 2 is €1 billion and of course, we are going to participate for the stake we have.

The third, let me say is more within the country, because with this swing in the different flows of gas. Of course, we will in the next month review the scheduled plan for investments to refocus priorities to support this change in the Italian flows and as we said in a more detailed focus what could be the opportunities to let's say strengthen the export or the reverse flow chances.

Yes, about the hydrogen gas, of course, we are progressing. The strategy is one that has been set in the recent past. About the opportunities or if I got your question extra return for investments in the hydrogen area, this is a discussion that is still ongoing. We do expect on the basis of, let's say, the decision that has been taken in Germany that there is ground for supporting this kind of request with the national authorities. But to be frank, we don't have any decision that we expect to get soon on that side.

JAVIER SUAREZ: And on the fully depreciated assets and the regulations for them.

STEFANO VENIER: As Alessandra said, I mean, we had this document that is expected on which we should, let's say, reply by September. So there is a reasonable timeframe to see the final decisions by the authority by the end of the year.



And we reasonably expect...we have the expectation to see the new system applied from 2023. Of course, this is our expectation. I think that the timing allows to, let's say, underpin this expectation.

JAVIER SUAREZ: Okay. Many thanks.

OPERATOR: The next question is from Roberto Ranieri with Intesa Sanpaolo. Please go ahead.

ROBERTO RANIERI: Yes, good afternoon everyone and congratulations Stefano for the appointment. I have 2 questions, please. The first one is on the energy transition projects. Could you please give us an update on the biomethane plants? How they are now your projects in the biomethane business are proceeding if at the moment there would be or there are already new authorization procedures expediting the construction of this project?

And one more question on the energy transition. Are you also considering in your future also projects in the circular economy like using...producing gas from waste, which probably is very familiar as opposed it's very familiar to you in the previous...during the previous experience.

My last question is on the gas sourcing. You mentioned the projects...the offshore projects, you know, presentation offshore project from Spain to Italy, I am wondering if this is economically viable and...or other alternatives such as offshore pipelines through using Terega...your participation in Terega so Spain to Italy from north, could be an additional option or not necessarily competing with the option. Thank you very much.

STEFANO VENIER: Okay. Just back to your first question about the developments on the biomethane activities. First of all, let me say that we have 18 megawatt of capacity that is in operation and We have 10 megawatt that is under construction. Of course, the speed up in those developments depends on the release...the final release on the new, let's say, decree that has to



regulate incentives for this kind of production. As you probably know the draft of this new decree has been sent to the Ukraine commission at the end of February and the Italian government is still waiting for a feedback from the European commission. Of course, given also the new targets that is empowering you is going to set on the biomethane production on European basis. I do expect this new decree will be on air by maximum a month or something like that.

Included in that decree, there are also...there are rumors that there will be a sort of an extension of the existing incentive scheme by 12 months. That will be extremely positive for those assets that are presently under construction. So I think that further, let's say, projects will be kicked off after the review of this new decree that, of course, are fundamental to guarantee an adequate return on those kind of investments.

As far as extending the production of biomethane from waste...as a matter of fact, we do...already do that in the sense that part of the assets are produced biomethane through the fermentation of the organic part of the waste, specifically the 2 assets that we recently bought from Asia in the overall transaction that was mentioned before are fully dedicated or are fully fed with organic waste. So therefore, we are on the same field already.

About your general question on the...if I got it correctly, the competitiveness of a possible interconnection between Spain and Italy with respect to other possible interconnection that could put it in, let's say...that could let's say link directly Italy with France, let me say, it's a prefeasibility study. Of course, the basic...the economic rationale and strategic rationale behind this prefeasibility is based on the fact that Spain as you know a huge capacity...unused capacity of LNG and therefore, this could be, let's say, a mean for connecting directly that capacity to the Italian market with the perspective of exporting towards Central Europe this additional kind of flows. Of course, there can be, let's say, alternatives as anytime that we will examine that the benefit of this say possible project is the magnitude on one



side and the fact that being offshore to certain extent it's easier to be deployed vis-à-vis on ground.

Last point is that makes this idea to have some reasonable ground is the fact that the mid cap interconnection has a total capacity...maximum capacity of 8 bcm that is a small part of the spare capacity that Spain has. Therefore this is the...these are the thoughts we made with Enagás and therefore we decided to make this pre-feasibility that I think not more than 3, 4 months will tell us the key core outcomes that is the first estimate of cost and the technical complexity in delivery this kind of infrastructure.

ROBERTO RANIERI: Thank you, Stefano.

OPERATOR: The next question is from Bart Kubicki [ph] with Societe Generale. Please go ahead.

ANALYST: Thank you. Good afternoon. Thank you for the presentation and we join the congratulations. 3 issues I would like to discuss with you. Firstly, on the non-regulated side, you're sort of seems to be finally gaining some momentum in terms of earnings and in terms of revenues. I would like to ask you whether you see any risks, which could actually derail this momentum this year and some companies are mentioning supply chain disruptions in energy efficiency activities for instance or inflationary pressure. That will be one question.

Secondly, on associates, I think Alessandra, you mentioned the €10 million earned by Interconnector is sort of the maximum to be earned, I understand it refers to a quarter which would potentially make €40 million for the year. Consequently, what would your...what would be your estimate for associate contribution for this year providing interconnectors good performance continues, and TAG is not impacted by the ongoing situation.



And lastly, pure curiosity you have 4.5 bcm of strategic storage. You also have a line on your balance sheet which refers to strategic gas storage €360 million. I just wonder I mean, if we look at those storage...strategic storage is it full or what is that...what is the level of being full? And as a result, what could...what actually...what needs to happen for the strategic storage to be withdrawn? And if something like that happens, is it actually [indiscernible] with strategic storage. So consequently, this is sold on the market at what prices you can realize some gains versus the book value of the storage we can see on your balance sheet, how would it work? Thank you.

ALESSANDRA PASINI: On the non-regulated side, just picking up on what Stefano was saying before, clearly, there is some momentum and the speed at which we will continue to progress will be a function of how quickly there will be clarity on the new decree particular in the biomethane on one side. On the other side, it is indeed true that we are seeing a slowdown on the supply of certain materials. But we do expect the sign of growth that we are seeing in the first quarter to continue for the rest of the year. So we expect more or less to keep the same pace. So you have seen it's a €4 million EBITDA contribution. I think a good assumption is to assume that the other 3 quarters that are left will be similar in this regard.

When it comes to interconnector UK, the mechanics of revenue recognition based on the way the system works, and does envisage cap. So ultimately, we are unfortunately for us and for the other shareholders of interconnector UK, we are not going to say it simply multiplied by 4. We expect the overall contribution to continue to increase but marginally through the year. Given you an overall indication last year, we ended up with 220 on the international side of contribution from our associates. We are targeting slightly less of that as a combination of the usual decline that we expect or expect a decline with assets like DESFA, as well as, with TAG, which will be compensated by the strong performance of interconnector a flat performance of TAG and a flat performance of our ADNOC stake.



And depending on when actually the closing will occur on our Tramed asset, we may have some contribution kicking in. So we're currently targeting the last couple of months of the year. But we clearly do not control the timing of the CPEs that will determine the inclusion our perimeter of corridors. So call it roughly speaking a €10 million less than last year a combination of these effects that we commended.

When it comes to the storage, it's storage. So it's actually something that can be part of the system equally, it's around 4.5 bcm of volumes related to that and it's something that is called strategic because if needed, it can be part of the volumes that we make available to the system clearly depending on which part of the year we are, the extraction of those volumes can be more or less complicated i.e. they may require more intervention from our compressor unit to help the extraction i.e. as storage works with pressure. When pressures goes down and the operating performance, you will need to apply the compressor unit to actually extract it, but it's gap that can be made available...

OPERATOR: Excuse me. This is the operator. Mr. Venier you can please go ahead.

STEFANO VENIER: Okay. I do apologize we had...since we had a technical problem we have...we were put off line. So now we are back. I don't know if there is any additional question for myself and Alessandra. Please go ahead.

OPERATOR: Mr. Kubicki, your line is open. If you had an additional question.

ANALYST: I apologize because on the storage site, we only I think...I only heard about the compression unit working harder but then it was interrupted. So maybe if Alessandra you can actually sort of...

ALESSANDRA PASINI: Yes, so what I said is...just to recap, what I said is, it's approximately 4.5 bcm. It's part of our regulated asset base, so it's a Snam asset. Therefore it's remunerated under the current regulation and it can be made



available to the system when needed. I was simply saying that depending when you actually need if you have exhausted the rest of your volumes in the storage, it would just be...it would require mechanical support to be extracted as the pressure would be low. That's in a short...shorter version what I said before.

ANALYST: Okay. And do you own this just sitting in those strategic storage or not given the...given the balance sheet?

ALESSANDRA PASINI: It is part of our RAB. So, yes, we do own it.

ANALYST: So as is part of RAB, can you earn actually on that, should it be extracted?

ALESSANDRA PASINI: It's part of our RAB. So it's remunerated. So, yes, we do earn it, just to make it available when needed to the system.

ANALYST: Okay. Thank you.

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

STEFANO GAMBERINI: Good afternoon everybody and welcome to Stefano also from my side and sincere good luck for this new professional challenge. I have 3 questions also from my side, the first regarding the €3 billion project for the hydrogen backbone. Does it include in the 10 year energy plan submitted to ARERA, and do you have some feedbacks on this or not? You said we expect [indiscernible] plan, but on the side, what are the first reactions in Italy on this...on this topic?

The second regarding also this 10 year plan. You underline that the gas flow from tap could double. So, in this case, the strengthening of the Adriatic backbone that is forecast after 2030, and if I'm not wrong, it count around €24 billion could be going forward due to the additional flows from the South



of Italy. The second topic was regarding the 2 floaters. Probably I lost the answer. But when these could arrive, do you know what are the total investment, and are this investment going to be included in the...in the RAB?

And the final one is regarding this storage. You said that there are a lot of opportunities in the sector that could arise in your view. You have 1.2 billion of CAPEX in the storage in the Business Plan? Do you see some opportunities also in this sector? And could this be exploited in the forthcoming years? Many thanks? Could you hear me? Hello?

STEFANO VENIER: Yes, we could, we could hear you...

STEFANO GAMBERINI: I am sorry.

STEFANO VENIER: I was just collecting the information about your first question that is...that is regarding the project of the hydrogen backbone that has been included in the 10 year Investment Plan that has been submitted to the ARERA. As you know is the...under the consulting phase, and we don't have any feedback yet. I think it's going to be well received also because...should be well received also because the new RePowerEU program has reason again the total target for hydrogen volumes by 2030 and going forward. Therefore, for reaching those kind of volumes, you need to have larger backbones and infrastructure to, let's say, ship the...the hydrogen from North...from South to North and from North to Central Europe.

About the Adriatic project, of course when I was saying that in the next month, according to the finalization of the FSRU deals, and other changes that happened...that will happen on the flows. We will review the schedule of investments and the Adriatic pipeline, it's going to be one of those major investment that will be scrutinized more carefully to understand whether and when could make sense to anticipate that kind of investment. Of course, again the RePowerEU document will be fundamental to understand if any kind of financial support will be dedicated to those kind of strategic



investments that, by the way, would represent a pillar for the, say, stepping forward an Italian hub for gas for export towards Central Europe.

About the floating vessels, the FSRU, of course, one...one of the points...one of the question was when we will finalize those transactions. Of course, as I told you, we are under, let's say, exclusive negotiation with one of the vessels that we expect to end by the next weeks, and the second will come just afterwards.

Again, to understand the mechanism to regulate this vessel, we...we are looking forward to see the new decree that the government should release in the next days, that will be again fundamental to...let's say, understand how will be managed.

In terms of storage opportunities, I think, are those that were listed in the presentation of the Business Plan. Nothing has changed significantly on that side. As you know, storage...the development of new storage facility takes time, therefore need to be planned fairly in advance. And I think that reviewing the Business Plan, as I did with the team in the last days, those are the opportunities that are still on table.

STEFANO GAMBERINI: Many thanks.

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

JOSE RUIZ: Yes, good afternoon. Just one question left from my side. Can you update us on your intentions of floating De Nora? Thank you.

ALESSANDRA PASINI: Nothing has changed versus what we told you before. The intention, together with the family are still there. Clearly the market environment it's a bit volatile to say the least. But we are very comforted by the very strong results that De Nora continues to deliver. So, the first thing as an investor in De Nora, we are looking forward to another very strong year in 2022. And



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we remain convinced of the opportunity to progress with the listing process. But you will be updated at the right point in time when decisions will be taken.

JOSE RUIZ: Thank you.

OPERATOR: Mr. Venier, there are no more questions registered at this time. I turn the conference back to you for the closing remarks.

STEFANO VENIER: So thanks to everybody that participated to this conference call. And I hope to meet you in person very soon. Bye-bye.