



SNAM, 2022-2026 STRATEGY PLAN

FOCUS ON 3Ds: DEVELOPMENT, DECARBONIZATION AND DIGITALIZATION ACCELERATING INVESTMENT ON SECURITY AND ENERGY TRANSITION

Investments and main targets to 2026

- Total investments in the 2022-2026 period: 10 billion euros, +23% compared to the 2021-2025 plan (8.1 billion euros), mainly for the commissioning of two FSRUs, the construction of the Adriatic Line, the upgrade and development of storage;
- RAB: growth above 5% on average per year in 2022-2026 (above 2.5% in the previous plan);
- EBITDA: growth of around 7% per year on average in the 2022-2026 period (4.5% in the previous plan) due to investments in the period, to RAB remuneration and the contribution from energy transition businesses;
- Net Profit: growth of about 3% per year on average in the 2022-2026 period, despite rising interest rates;
- Dividend: extended to 2026 growth of a minimum dividend per share at 2.5% as foreseen in previous years;
- Financial structure solid and consistent with metrics of current credit ratings;
- Path towards reducing emissions to carbon neutrality by 2040 confirmed.

Vision to 2030

- Investment opportunities in excess of 20 billion euros in the 2022-2030 period on networks, storage and energy transition.

TARGETS	2022 – 2026
RAB	>5% CAGR
EBITDA	approx. 7% CAGR
Net Profit	approx. 3% CAGR
Dividend	+5% in 2022 and +2.5% min. CAGR by 2026



San Donato Milanese (Milan), January 19th, 2023 – The Board of Directors of Snam chaired by Monica de Virgiliis, approved the 2022-2026 Strategy Plan which Stefano Venier, Snam CEO will today disclose to the financial community.

*"2022 was a watershed year for the global energy system"– **Stefano Venier, CEO of Snam commented.** "Within a backdrop of extreme uncertainty and volatility, Snam has succeeded in guaranteeing maximum support to cope with the emergency, creating the basis for the necessary actions to tackle the near future. Over the 2022-2026 plan period, we will significantly increase investments compared to the past, in order to strengthen our infrastructure and contribute to the country's greater energy security for the next few years and beyond.*

At the same time, we will continue to work towards a carbon neutral future, focusing on green molecules: hydrogen and biomethane will be part of our journey towards carbon neutrality, as will our initiatives for the decarbonisation of final consumption, and we have committed a billion euros to them until 2026. In the same time horizon, despite a still unstable scenario, we foresee significant growth in the main economic indicators which can be achieved without affecting our financial solidity with the aim of building a more sustainable, resilient and enduring energy system".

In order **to rebalance the energy trilemma on the three pillars of security of supply, sustainability and competitiveness**, the system needs to develop the gas infrastructure along the entire value chain through increased flexibility and appropriate sizing, so as to strengthen its resilience in times of crisis. The energy transition must be accelerated by developing green gases and decarbonisation, energy efficiency and a greater use of digitalisation.

Snam is active along all three pillars of the energy trilemma through a strategy based on:

- investing in the gas infrastructure along the entire value chain (by purchasing and commissioning two FSRUs, expanding and optimising the storage system, strengthening the Adriatic Line, developing small-scale LNG – midstream - and expanding LNG and bio-LNG station networks with an outlook on hydrogen);



- developing green gases (hydrogen and biomethane) and contributing to decarbonising consumption by implementing energy efficiency measures and Carbon Capture and Storage (CCS) technology;
- digitalising and streamlining of assets and industrial processes.

2022-2026 Plan

Total investments: 10 billion euros in the 2022-2026 plan, a 23% increase compared to the 2021-2025 plan (8.1 billion euros).

Of this, 9 billion euros are intended for gas infrastructure.

In detail:

- **6.3 billion euros** on transport (compared to 5.4 billion euros in the previous plan), including investments in upgrading the Adriatic Line and the asset health new methodology development for network replacement;
- **1.3 billion euros** to expand and upgrade storage sites (compared to 1.2 billion euros the previous plan);
- **1.4 billion euros** for LNG with a significant increase for the purchase of two floating regasification units and related infrastructure investments.

Investments to develop and modernise Snam's transport and storage infrastructure are made with a view to "*H2 asset readiness*", whereas certification on the existing network continues and is expected to reach 3,000 km by 2026 from 750 km in 2022, as well as assessment on storage, compression stations and measurement systems.

Investments in the energy transition business amount to 1 billion euro.

Among green gases, biomethane is the one at the most advanced stage of development and available within a short time frame. **Investments in biomethane in the 2022-2026 plan** amount to **approx. 550 million euros** and include plants in operation by 2026 for more than 100MW (with an expected output of about 200 million cubic metres). To date, Snam has built a solid platform in this segment with around 40MW of biogas and biomethane plants operational by end 2022 and has strengthened its role as an industrial-scale developer.



Within the plan's horizon, **100 million euros are planned to be invested in hydrogen** also through funds allocated by the National Recovery and Resilience Plan (NRRP) to contribute in preparing the domestic ecosystem to the use of hydrogen.

Our partnership with De Nora has been further developed through the construction of a Gigafactory for the production of electrolyzers in Italy; for this project the EU Commission, through the IPCEI Hy2Tech programme, greenlighted a financial support within a threshold of 63 million euros.

As confirmed by recent IPCC (Intergovernmental Panel on Climate Change) and IEA (International Energy Agency) reports, **CCS (Carbon Capture and Storage)** is considered a necessary technology to meet global decarbonisation targets, and Snam is allocating approx. **120 million euros of investments** to it over the period covered by the plan. As a major European player in the transport and storage of molecules, Snam is uniquely positioned to transfer this expertise to CO₂ transport and storage, and it aims at leveraging on its holdings in companies such as British Storegga with CCS projects in the UK and Anglo-Irish company DCarbonX specialised in molecules storage to support decarbonisation. Last December, Snam, in collaboration with Eni, launched the first CCS project in Italy, which involves CO₂ capture taken from Eni's Casalborgorsetti plant to be injected into a depleted reservoir in the Adriatic Sea, off the coast of Ravenna. A project leading up to further development in support of hard-to-abate industries in the Po Valley.

On **energy efficiency and distributed generation** - where Snam operates through Renovit, (where Cassa Depositi e Prestiti CDP also holds a stake) investments for **approx. 200 million euros** are planned for the 2022-2026 period.

Decarbonisation

Snam's commitment to achieving the 2040 carbon neutrality target remains solid even in an extremely challenging environment driven by the significant changes in the industry as well as in the country's transport gas flows shifting. During 2022, Snam took immediate action to cope with the new scenario, always with an eye on longer-term goals. In particular, the plan to replace compressor stations with dual-fuel technology was updated, giving priority to equipment that brings gas from South to the North of the country. In addition, efforts to reduce methane emissions will continue (-43% in 2022 compared to 2015, in line with the plan and the UNEP (United Nations Environment



Programme) targets and efforts were made on Scope 3 emissions: about 30% of our tenders have been awarded through processes that included ESG criteria, and most of our associates have already set decarbonisation targets. By 2026, Snam's key role as an enabler for the reduction of third-party emissions through Renovit's energy efficiency projects, BioEnergys' biomethane production (and in the future, the decarbonisation of hard-to-abate sectors through hydrogen transported in our network) is evident. By 2025, avoided emissions are expected to multiply almost sevenfold, from 70 ktons of CO2 avoided per year to around 500ktons.

Alongside our goals to reducing emissions, our commitment to the other sustainability areas that are part of the Snam ESG Scorecard as well as actions implemented also in collaboration with the Snam Foundation on the dimensions of the Just Transition remain confirmed.

SnamTEC is the Group's **innovation and digitalisation programme** to which approx. **450 million euros of investment** will be allocated over the period covered by the plan. The programme groups 52 projects into four main areas: security, asset resilience, process optimisation and activities to improve business sustainability, and enables, predictive maintenance and project optimisation, among other functions, so to minimise project costs and downtime, thereby contributing to security and continuity of supply.

Associates

A further component of value creation is represented by Snam's portfolio of associates which recently registered the addition of a stake in the South corridor with Algeria (TTPC and TMPC). These associates have been grouped into clusters to reflect their role on the short and medium-long term strategic goals.

The first cluster includes assets defined as **"Value Enhancers"** of the domestic infrastructure, i.e. those with a connection to the Snam network in Italy. These companies contribute approx. 60% of the net income on equity investments expected by 2026. French company Teréga, British company Interconnector and Emirates Adnoc are defined as **"Enablers"** of business optionality and do not have a connection to Snam's domestic network but offer market visibility as well as business opportunities and optionality on possible portfolio evolutions. Finally, there are assets such as Italgas and ITM Power with a more opportunistic leverage.



2026 Plan Targets¹

Over the 2022-2026 period Snam plans to achieve sustainable growth in key performance indicators whilst preserving its financial solidity.

Over the plan period, compound annual growth rate (CAGR) is expected to be:

- **5% higher than RAB in 2022-2026**, more than double compared to forecasts for the previous period (2021-2025) due to higher investments and to the deflator;
- **around 7% of EBITDA**, compared to 4.5% in the 2021-2025 plan, mainly due to RAB growth (80%), higher remuneration due to the regulatory framework, the increasing contribution of output-based incentives and energy transition businesses. Together, these factors will contribute to the **expected Group EBITDA growth of approx. 2.85 billion euros by 2026**, of which approx. 140 million euros will be related to energy transition businesses.
- **3% of net profit** due to increased profitability of the business and to efficiency measures, offset by an increase in financial costs due to higher interest rates, expected to increase to an average of 2% over the period covered by the plan, compared to a forecast of 1.1% in the 2021-2025 plan.

Guidance on net profit for 2022 at least equal to 1.13 billion euros with a projection of 1.27 billion euros at the end of 2026.

Dividend policy is confirmed and extended to 2026

- **a 2.5% minimum dividend annual growth to 2026 with a +5% dividend per share until 2022 confirmed.**

In 2023, Snam is expected to pay a total dividend of 0.2751 euros per share for the 2022 financial year of which 40% as an interim dividend to be paid on January 25th, 2023 (record date: January 24th, 2023), with an ex-dividend date of January 23rd, 2023 as approved by the Board of Directors on November 9th, 2022, and the remaining 60% to be paid on June 21st, 2023 (record date: June

¹ Macro assumptions: average deflator 2022-26 equal to 2.3% and 2026 WACC equal to 5.4% for transport, 6.0% for storage and 6.1% for LNG.



20th, 2023) with an ex-dividend date of June 19th, 2023, to be submitted to the Shareholders' Meeting who will approve the financial statements for the year 2022).

Financial structure and capital allocation

After years of steady and significant reduction in the cost of debt, future efforts will be devoted to containing the negative effects of the worsening macroeconomic scenario. The significant portion of fixed-rate debt (about 80% as of today), the medium-long term duration of debt (five years) and the fact that maturity is spread over time are the mitigating factors we have built up in recent years and throughout 2022.

The main levers for the future will instead be:

- greater diversification of financing sources and instruments;
- the use of more flexible debt instruments, also benefiting from the strong long-term relationship with major national and international banks.

These actions are expected to benefit from central bank interest rates to return to normal levels as well as the implicit natural hedging that the Italian tariff system offers in the medium and long term through periodic adjustments to the recognised cost of capital.

In the period covered by the plan, Snam further to **a net debt expected to increase to approx. 18 billion euros in 2026**, aims to:

- maintain credit ratios, both flow (FFO/Net Debt) and stock (Net Debt/Fixed Assets including associates) consistent with current metrics of current credit ratings;
- maintain a mix of fixed and variable rate debt of 2/3.

The weight of sustainable finance operations is expected to increase to around 80% in 2026 from around 70% at the end of 2022, assuming that all future Snam bond issues are in ESG (Sustainability-Linked-Bonds or Use of Proceeds) format. With regards to the capital allocation strategy, the implementation of the investment plan together with the maximisation of the value of assets (from associates) remains a priority. Snam could consider an asset rotation optionality for those considered "non-strategic" to be used for possible non-organic growth.



Short-term outlook

	Guidance FY 2022	Guidance FY 2023
Investments	1.9 billion euros , of which <ul style="list-style-type: none"> - 1.6 billion in gas infrastructure* - 0.3 billion for the energy transition 	2.1 billion euros , of which <ul style="list-style-type: none"> - 1.9 billion in gas infrastructure** - 0.2 billion for the energy transition
Tariff RAB	21.4 billion euros	22.4 billion euros
Net Profit	≥ 1.13 billion euros	approx. 1.1 billion euros
<i>*Including 0.4 billion euros for the acquisition of Golar Tundra and other LNG infrastructure investments</i> <i>** Including 0.5 billion euros for the acquisition of BW Singapore and other LNG infrastructure investments</i>		

When comparing year-on-year figures, it should be noted that the 2022 net profit benefited from some non-recurring items amounting to approx. 50 million euros. Despite rising interest rates and stable WACC, in 2023 a substantially stable level of net profit is expected, in line with 2022.

Vision to 2030

Snam is well positioned to be among the leading companies in the transformation taking place in the energy sector and it will be able to seize interesting development opportunities over the next decade.

We expect more than 20 billion euros worth of investment opportunities in the 2022-2030 period for:

- the continuation of the development, maintenance, modernisation, decarbonisation and digitalisation of our infrastructure;
- the completion of the Adriatic Line and the development of new storage capacity (+15% with Alfonsine);
- the development of the “Italian Hydrogen Backbone” by repurposing infrastructure (networks and storage) to support green gas domestic demand and import/export excess domestic capacity.