



Snam
Rete Gas



Italian Investor Conference

Tokyo, October 3rd 2006


BORSA ITALIANA

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Strategy Presentation

Carlo Malacarne, CEO



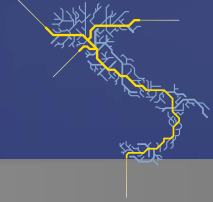
OPENING REMARKS

MARKET SCENARIO AND CAPEX PLAN

OPERATING AND FINANCIAL COMMITMENT

SHAREHOLDERS' RETURN

CLOSING REMARKS



Fully regulated transport utility

- 2nd Regulatory Period
(October 2005 - September 2009)
- Owning
 - 96% of Italian network of more than 30,000km
 - One only Italian LNG terminal
- Market Capitalization € 7.2bn
- Free Float 46.2 %
- Treasury Shares 3.8 %
- ENI stake 50.05 %





Clear, transparent and stable

- 4-year from Oct. 2005 to Sept. 2009
- RAB based on “Re-valuated Historical Cost” methodology

Allowed return

- 6.7% WACC real pre tax, in line with power transmission

Attractive Incentives

- On injected gas volumes
- On new investments
- Retention of excess efficiency
- Y,Q,W parameters

Long term visibility

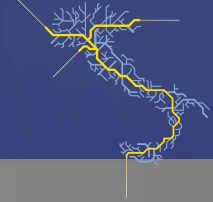
- Impact on the following regulatory periods
 - premium on new investment up to 15 years
 - 50% retention of excess operating efficiency gains

1st Reg. period benefits retention

- Commodity overlap on 2001-2004 development capex
- 50% retention efficiency gains



- **INVESTMENTS** – 2006-2009 € 3.5 bn capex-plan confirmed
- **TRANSPORTED GAS VOLUMES** – Incentives granted from market growth
- **COST SAVINGS** – Better than regulatory targets
- **LEVERAGE** – Higher financial efficiency lowering cost of capital



RECENT OUTCOME

Thermal year 2006-2007 tariff approval

- **NEW RAB SET BY THE AUTHORITY: € 11.4 bn at year-end 2005**
- **REVENUES FROM INVESTMENTS CARRIED OUT:**
 - **IN THE 1st REGULATORY PERIOD: € 60m**
 - **IN YEAR 2005: € 80m**

.... STILL GOING TOWARDS REVENUES GROWTH



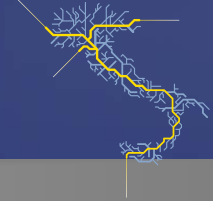
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MARKET SCENARIO AND CAPEX PLAN

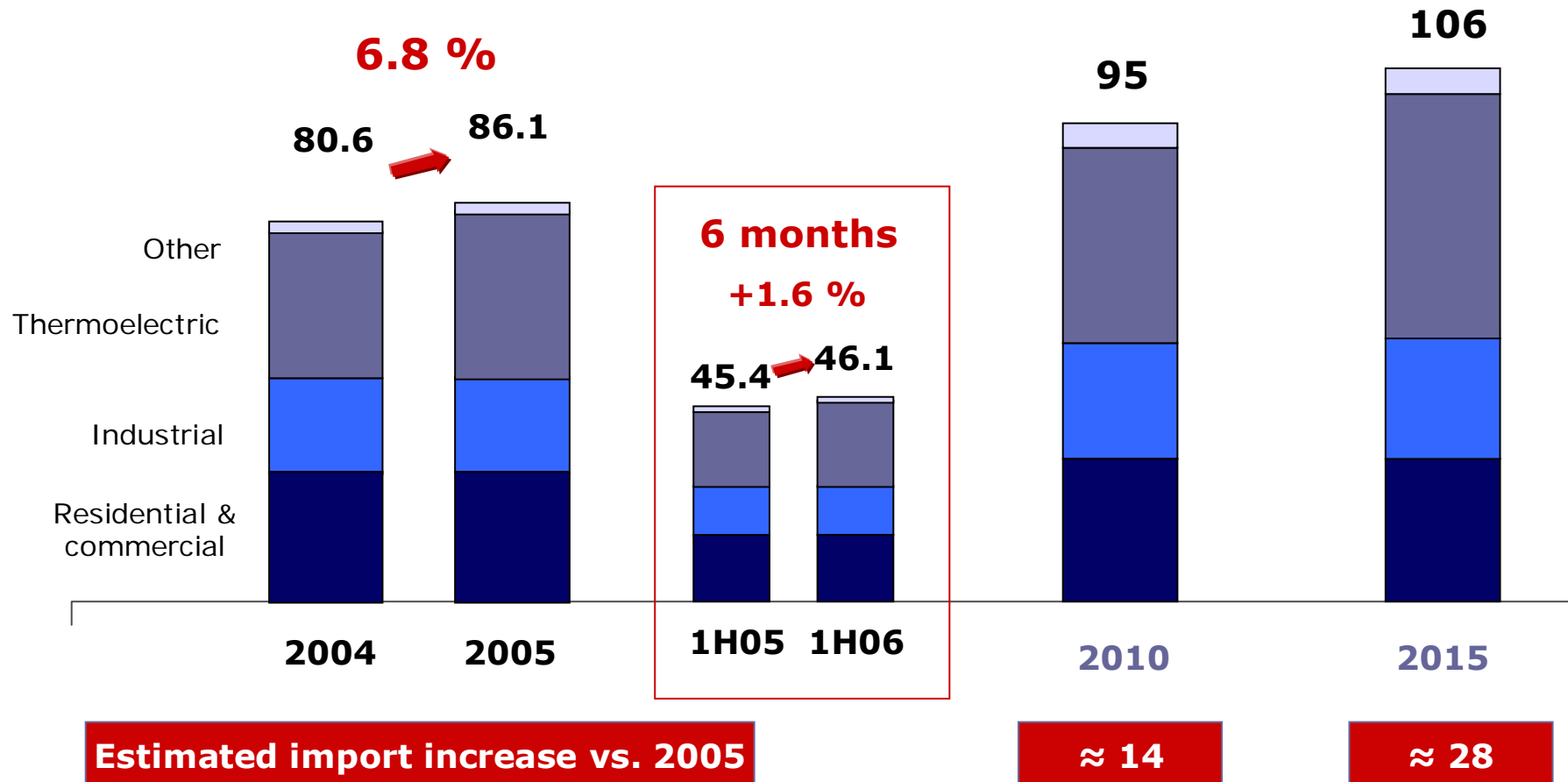
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(bcm)



Source: Ministry of Industry and SRG estimates



- **Strong growth in the thermoelectric sector**
+14.6 bcm (+44%)

driven by

- Electricity demand yearly growth = 2.3%
- Electricity import yearly decrease = 0.6%

- **Growth in the industrial sector**
+4.3 bcm 2005-2015
- **Slow growth in the residential & commercial sector** (weather adjusted)
+2.6 bcm 2005-2015



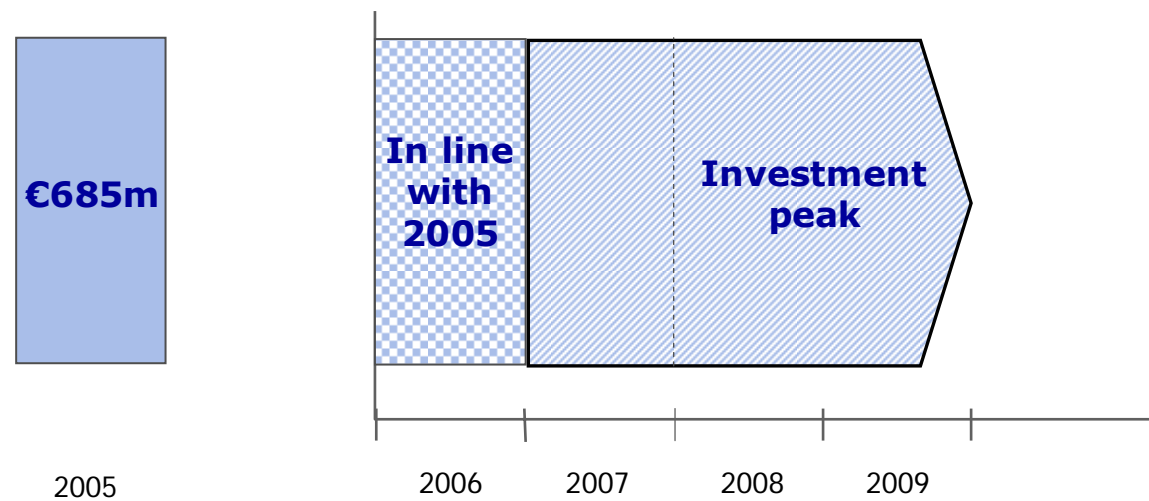
SRG expects
32 GW of CCGT capacity
to be in operation by 2009

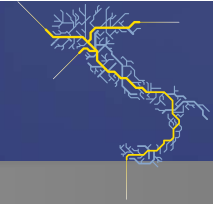


4 YEAR CAPEX PLAN

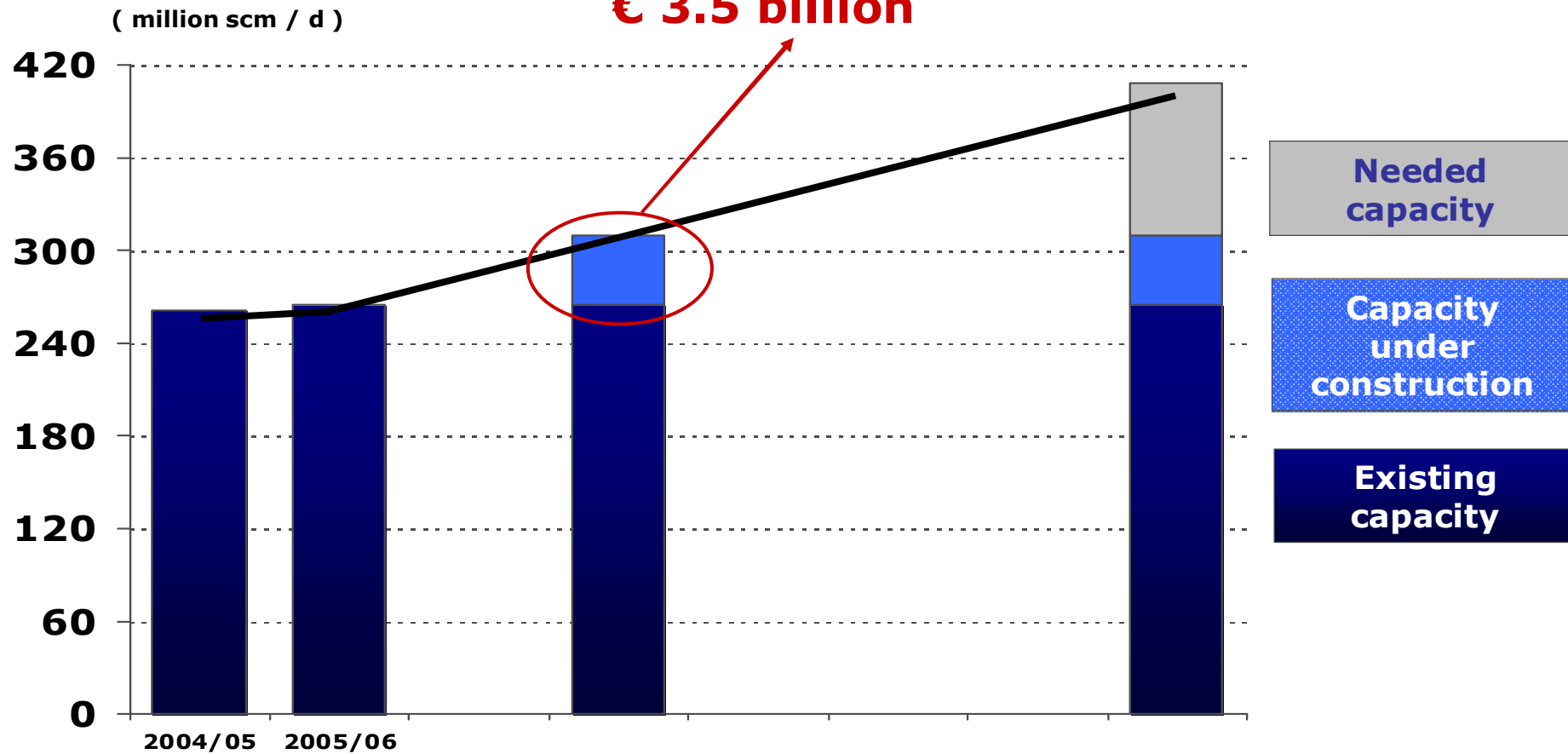
2006 ÷ 2009

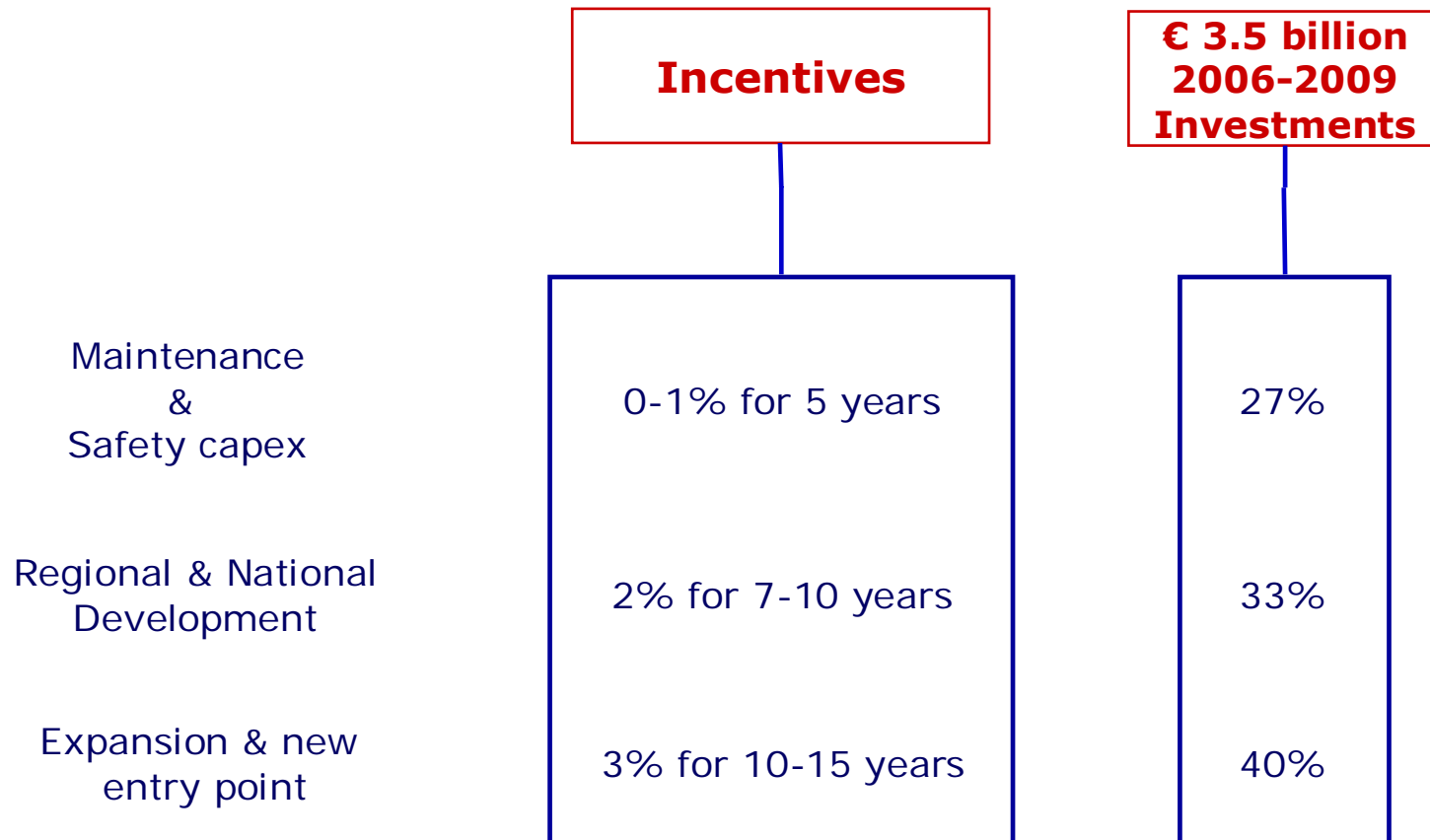
€3.5 billion

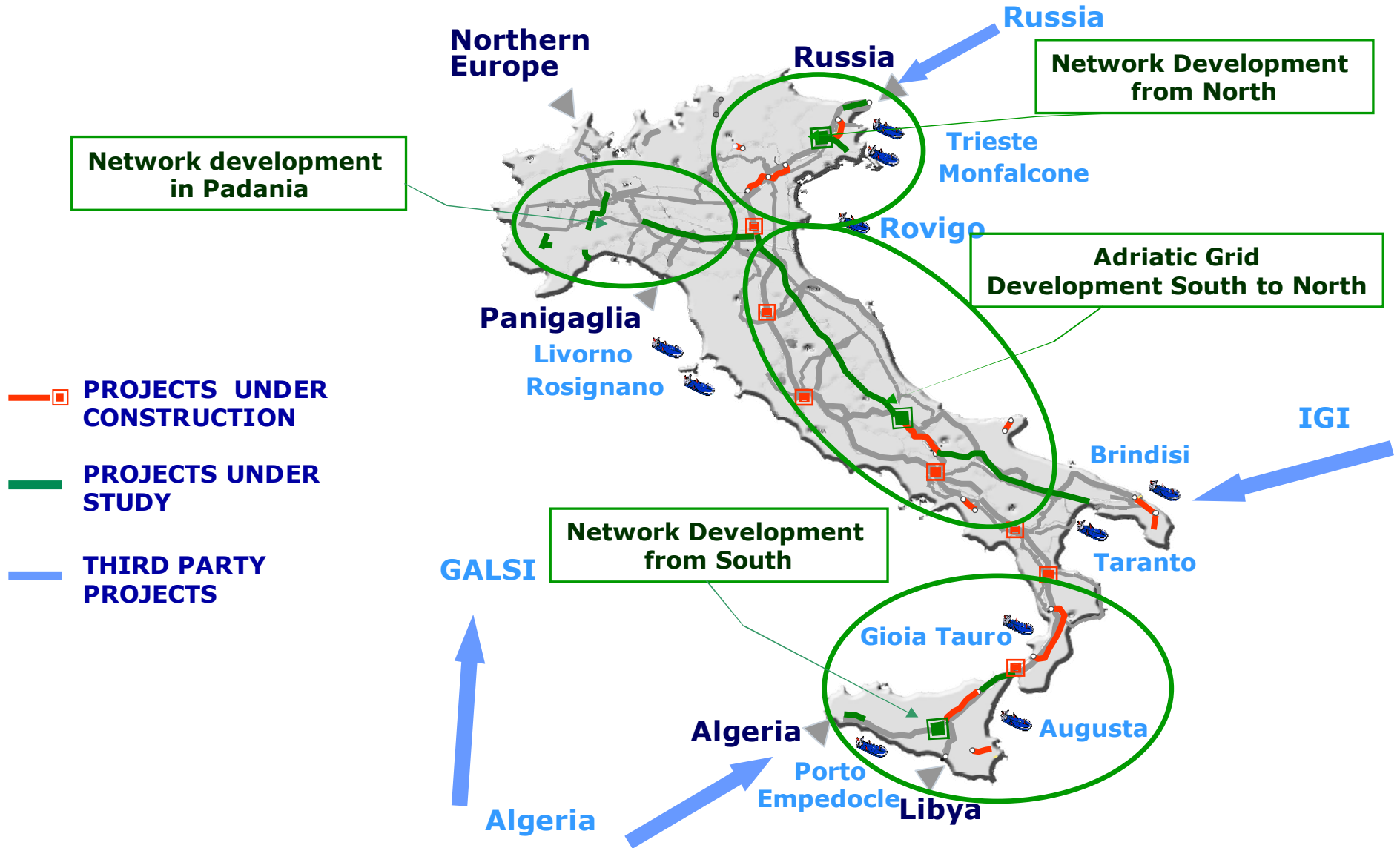




4 YEAR CAPEX PLAN 2006 ÷ 2009 € 3.5 billion









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MARKET SCENARIO AND CAPEX PLAN

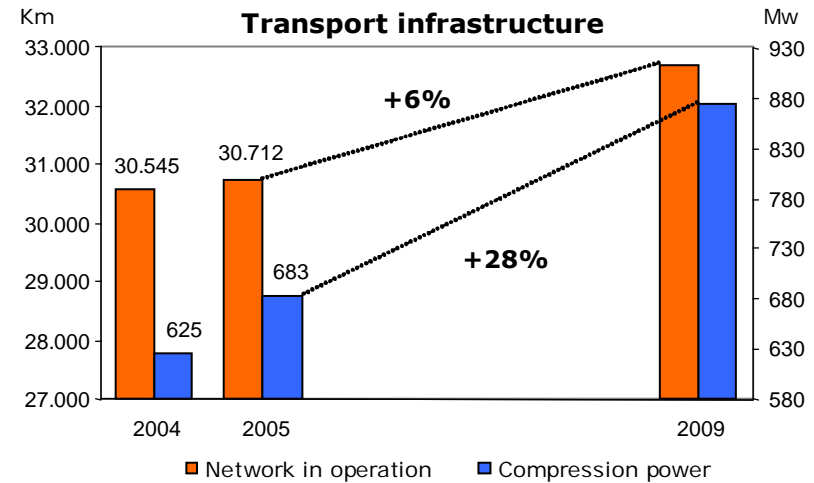
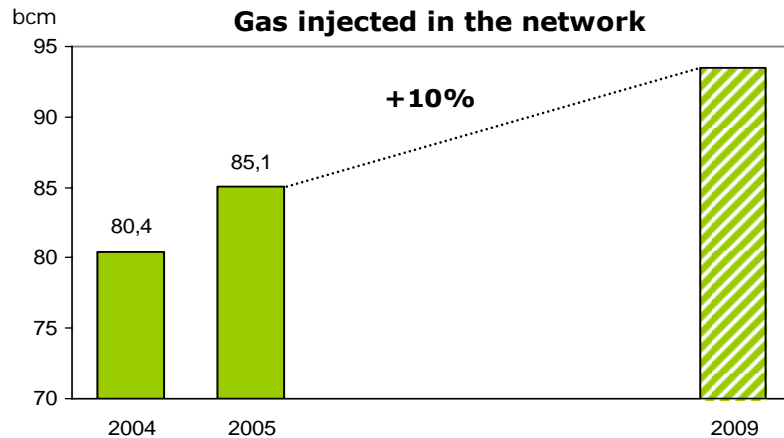
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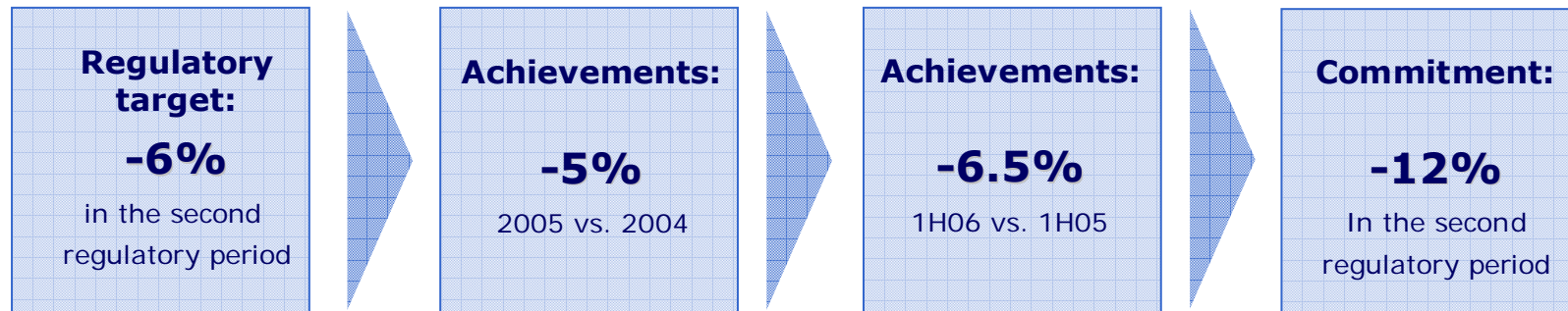
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In a growing scenario...



... our efficiency improvements in controllable fixed costs (in real terms)





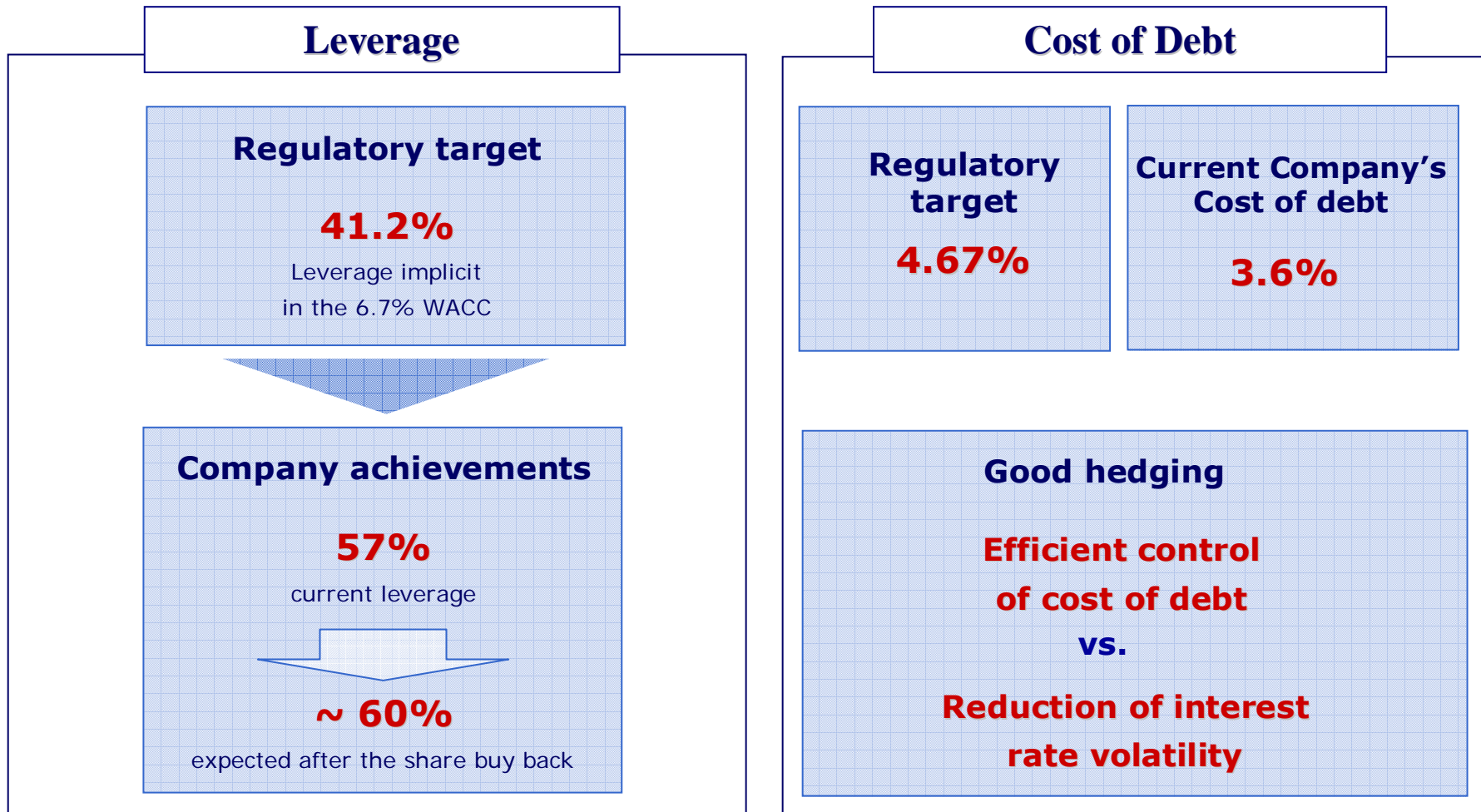
Levers to meet the committed targets

- ✓ **Headcount reduction :**
signed in April an agreement with Trade Unions
- ✓ **Extension of remote control :**
100% of the network
- ✓ **Safety management system :**
towards a corrective and “on condition” maintenance
- ✓ **Mobile workforce management :**
real time data availability, reduction of people transfers

How to use debt to create value: leverage and cost of debt



2nd regulatory period Oct. 2005 – Sep. 2009





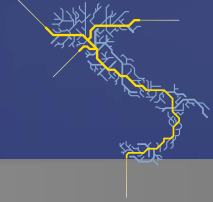
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Dividend

2005

0.17 € per share

2006 ÷ 2009

annual growth
at least equal
to inflation

Share buy back

- Up to a maximum of 800 m€
- Within 10% of share capital

- Nr of shares: 74.6 million
- Average price: 3.56 € per share
- Total amount: 266 m€

Already
realised at
Sept. 15th,
2006



	2006	CASH OUT
2005 Dividend	May 25 th 0.17 €/ share	0.33 € billion
Share buyback	YTD	0.27 € billion*
		=
2006 YTD overall cash distribution		0.60 € billion

Yield 8.3%**

* Share buyback spending up to September 15th, 2006.

** Overall cash distribution/market capitalization as at September 15th, 2006.



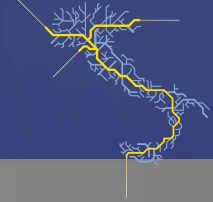
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Defensive stock Consistent strategy Long term visibility Incentive regulation



Drivers for margin growth

New capex

Gas volumes

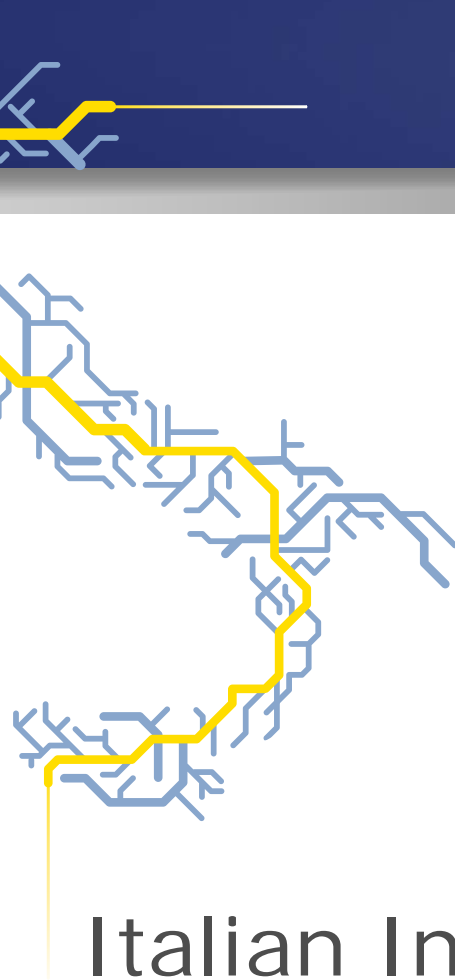
Cost efficiency



**SUSTAINABLE DIVIDEND POLICY
WITH ATTRACTIVE YIELD**



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