



snam rete gas

Creating a Leader in the Regulated Gas Business

Milan, February 13th, 2009





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Agenda



Highlights

2008 Preliminary Results

2009-2012 Strategy & Targets

A Compelling Transaction

2008 Results Overview



**Strong operating performance (Ebit +8%)
despite flat demand**

**Strong capex growth (+43%) to increase
transport capacity and system security**

Solid capital structure

Significant Net Income increase (+20%)

**Shareholder value preserved with attractive cash
return (5.2%), even in a volatile market**

SRG's Value Proposition



**STRONG BUSINESS
FUNDAMENTALS**

PROFITABLE LONG TERM GROWTH

LOW RISK PROFILE

**ROBUST RETURN TO
SHAREHOLDERS**

Stogit & italgas

ACQUISITION

**REINFORCES
OUR
STRATEGY**



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2008 Preliminary Results

Antonio Paccioretti

Chief Financial Officer

2008 Financial Highlights



		2007 adjusted	2008	Δ%
Gas injected into the network	(bcm)	83.3	85.6	+2.8%
Capex	(€m)	728	1,044	+43.4%
Cash flow from operations	(€m)	934	1,053	+12.7%
Regulated revenues	(€m)	1,778	1,887	+6.1%
EBITDA	(€m)	1,435	1,511	+5.3%
Net Profit	(€m)	442	530	+19.9%
EPS*	(€)	0.25	0.30	+20.0%

(**) Avg. number of outstanding shares in the year (m): 2007 1,773.2
2008 1,761.0

Income Statement



€m

	2007 adjusted	2008	Change
Revenues	1,797	1,910	+113
Operating expenses	- 362	- 399	-37
EBITDA	1,435	1,511	+76
Depreciation & amortisation	- 489	- 489	-
EBIT	946	1,022	+76
Net interest income (expenses)	- 210	- 226	-16
EBT	736	796	+60
Income taxes	- 294	- 266	+28
NET PROFIT	442	530	+88

Revenues



€m

	2007 adjusted	2008	Change
Regulated revenues	1,778	1,887	+109
Transport	1,757	1,867	+110
Revenues	1,712	1,773	+61
Fuel cost recovery	-	45	+45
Pass-through revenues	45	49	+4
LNG	21	20	-1
Other revenues	19	23	+4
TOTAL REVENUES	1,797	1,910	+113

Operating Expenses



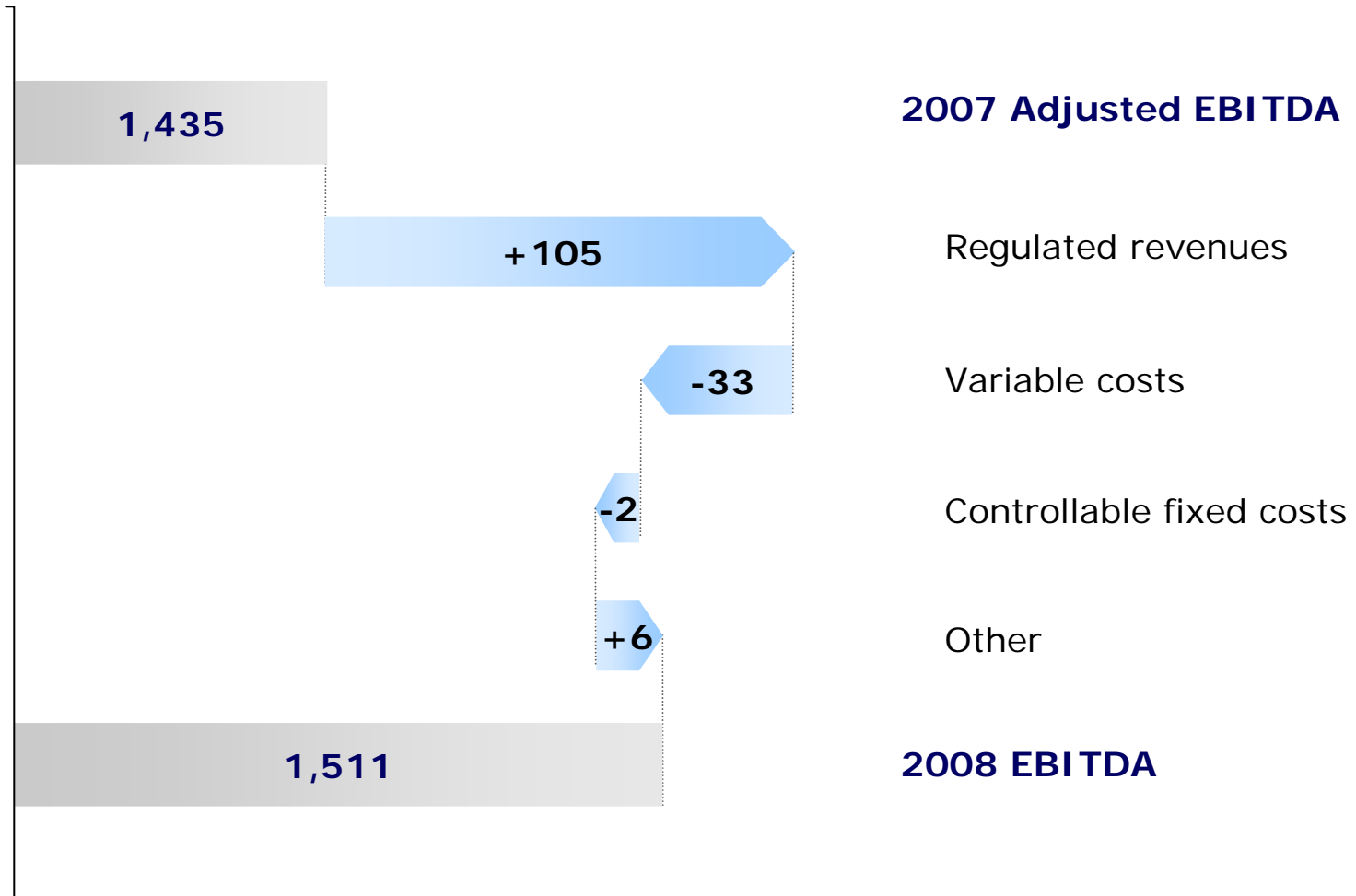
€m

	2007 adjusted	2008	Change
Regulated activities costs	360	395	+35
Controllable fixed costs	207	209	+2
Variable costs	102	135	+33
Other	51	51	-
Non regulated activities	2	4	+2
TOTAL COSTS	362	399	+37

EBITDA Growth



€m



Income Statement



€m

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Balance Sheet



€m

	2007	2008	Change
Net Invested Capital	9,389	9,809	+420
Fixed assets	9,786	10,302	+516
Tangible fixed assets	9,745	10,263	+518
Intangible fixed assets	41	39	-2
Net working capital	- 368	- 464	-96
Receivables	685	577	-108
Liabilities	- 1,053	- 1,041	+12
Staff benefits provision	- 29	- 29	-
Net financial debt	5,882	6,236	+354
Shareholders' equity	3,507	3,573	+66
RAB at year end* (€bn)	12.3	12.8	+0.5
Leverage at RAB	47.8%	48.7%	+0.9%

(*) 2008 figure estimated assuming 2% inflation rate for 2008 and according to the current regulatory framework

Capex



€m

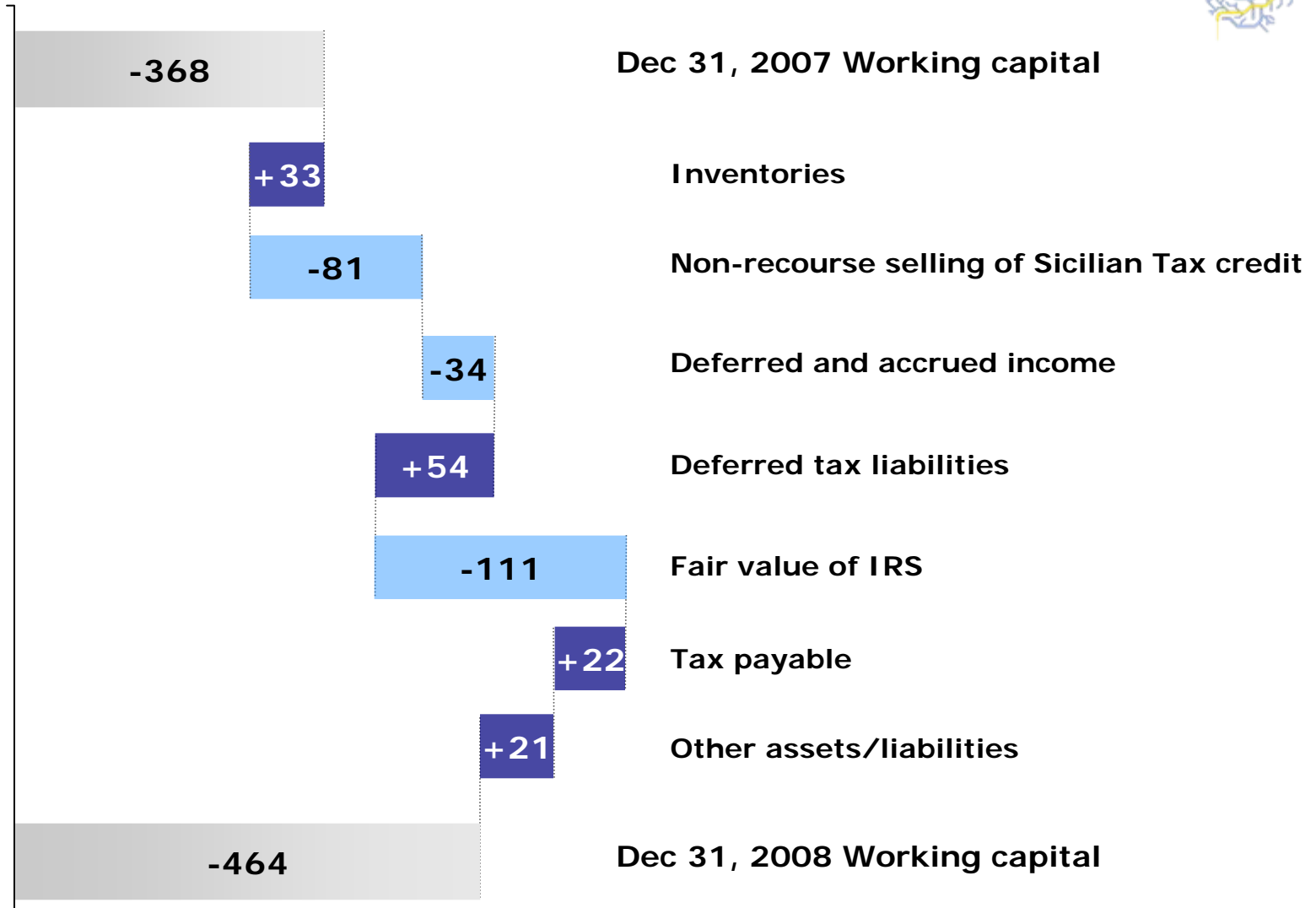
	2007	2008	Change
DEVELOPMENT	527	816	+289
9.7% remuneration	303	581	+278
8.7% remuneration	224	235	+11
OTHER	201	228	+27
7.7% remuneration	89	103	+14
6.7% remuneration	112	125	+13
TOTAL	728	1,044	+316

The 2008 capex breakdown will be included in the 2009-2010 tariffs proposal

Net Working Capital Analysis



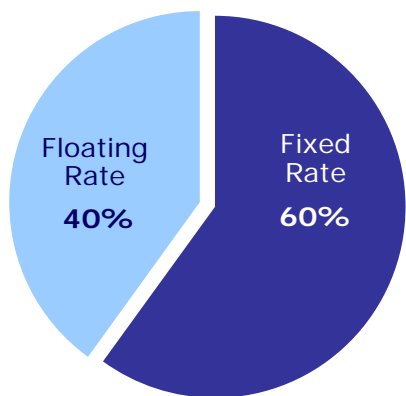
€m



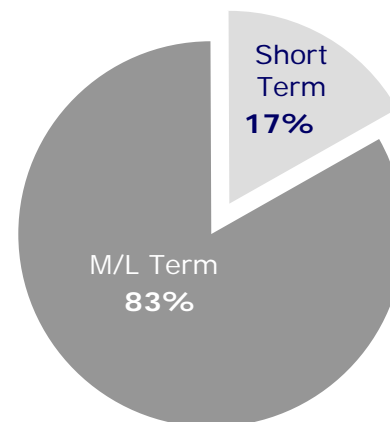
Debt Management



**Debt Structure
at year end 2008**



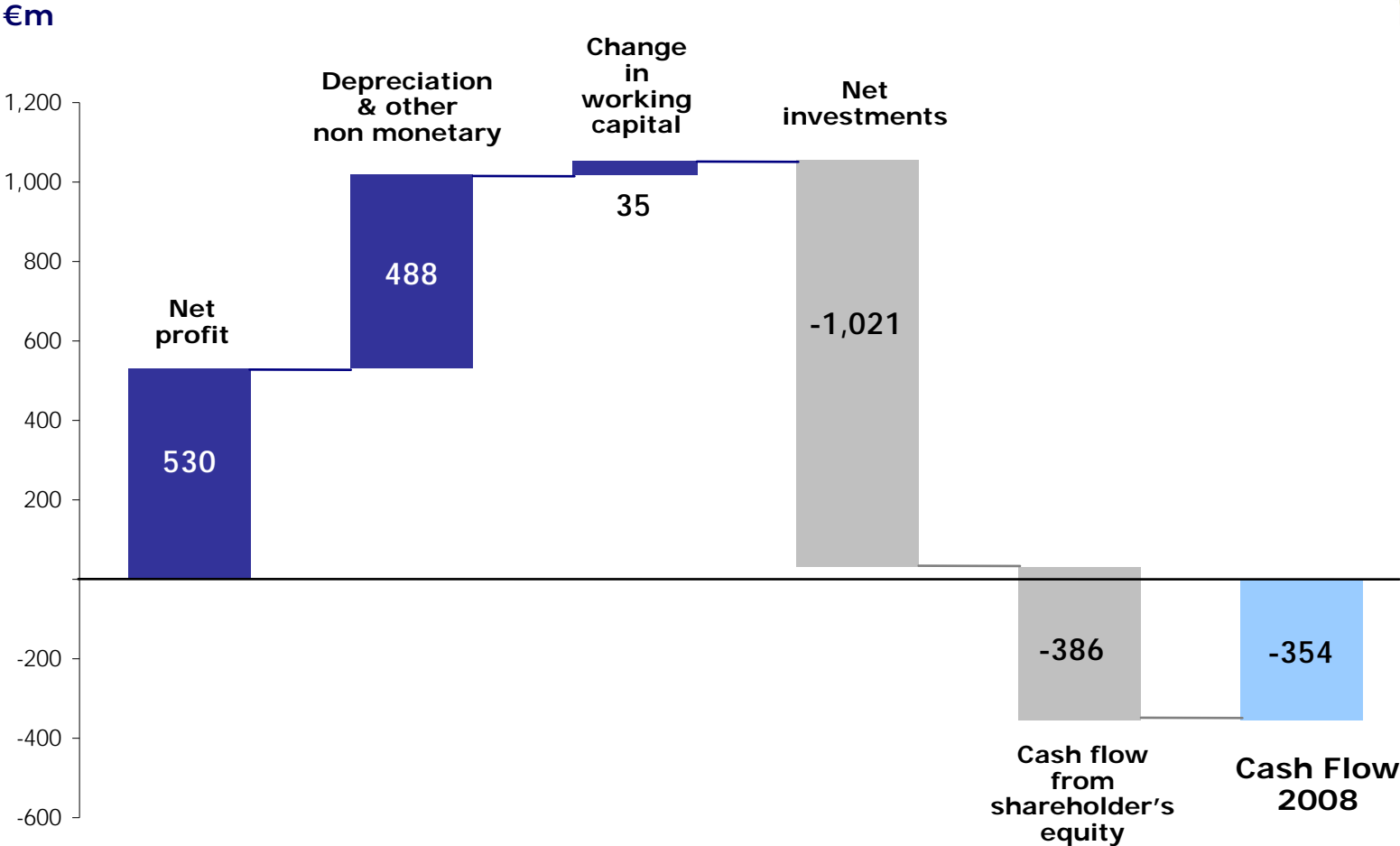
Duration: 3.1 years



Average Maturity: 4.2 years

	2007	2008
Fixed rate	4.06%	4.11%
Floating rate	4.10%	4.26%
Average cost of debt	4.08%	4.18%

Cash Flow



Shareholder Return



	2008	CASH OUT
2007 Final Dividend	May 22 nd 0.13 € / share	0.23 € billion
2008 Interim Dividend	October 23 rd 0.09 € / share	0.16 € billion
		=
2008 overall cash distribution		0.39 € billion

Highly competitive yield in the Utility sector

**Yield *
~ 5.2%**

* Overall cash distribution/2008 average market cap (net of treasury shares)



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A Steady and Consistent Value Creating Strategy

Carlo Malacarne

Chief Executive Officer

Maintaining Strategic Focus



CAPITAL EXPENDITURE

- To meet market needs in the long term
- To increase security and flexibility of the network
- To fuel profitable long term growth

EFFICIENCY

- Operational
- Capital structure

LOW RISK PROFILE

- Focus on gas regulated business
- Preserve solid balance sheet in the medium-long term

SHAREHOLDER RETURN

- Attractive
- Sustainable

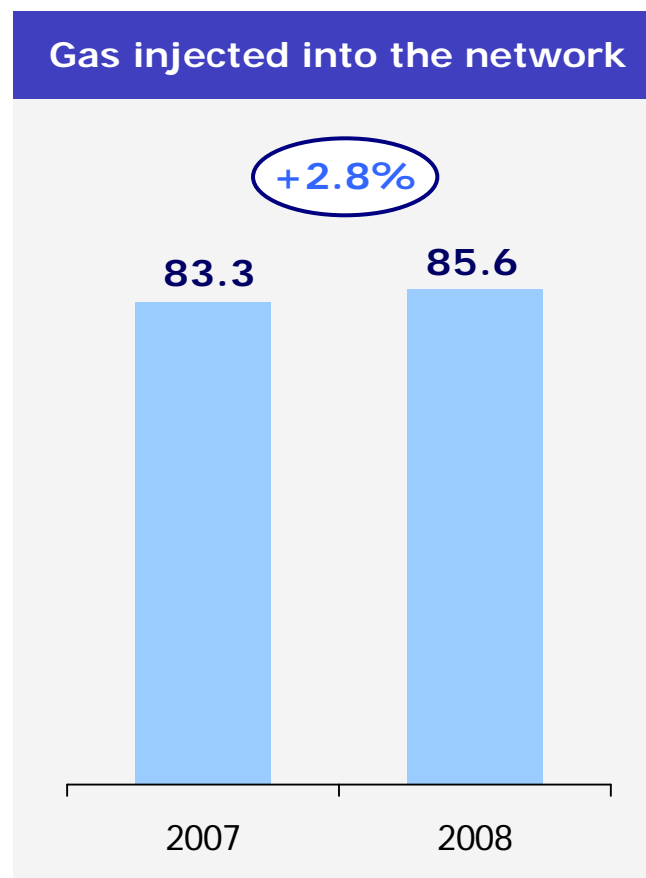
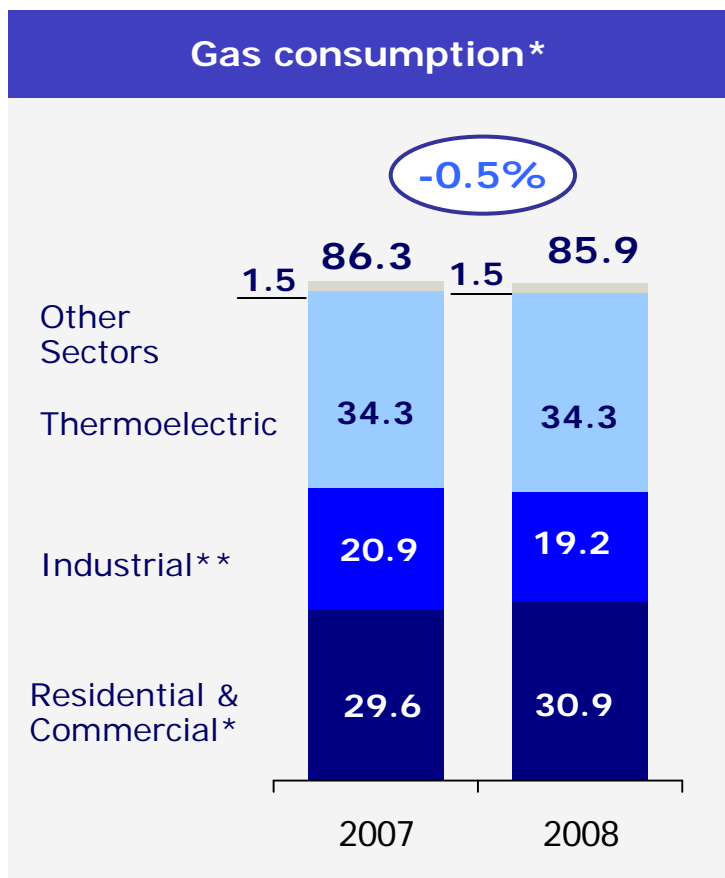


GAS MARKET SCENARIO

CAPEX PLAN

EFFICIENCY COMMITMENT

Italian Gas Market in 2008



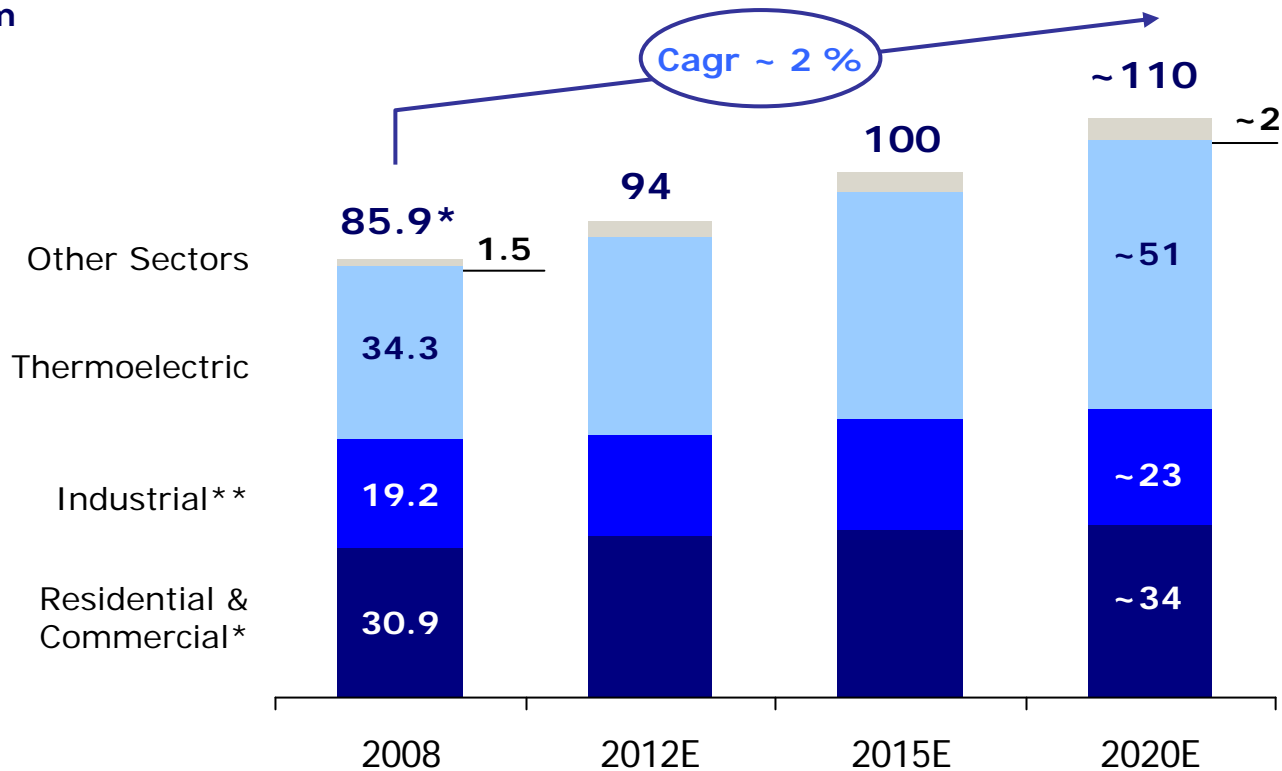
* Weather adjusted

** Include: NGV, Agriculture and Non-Energy Use

Italian Gas Market 2008-2020



bcm



* Weather adjusted

** Include: NGV, Agriculture and Non-Energy Use

Import increase vs 2008



Source: Italian Ministry of Economic Development and SRG estimates

Thermoelectric Sector driving Gas Demand Growth



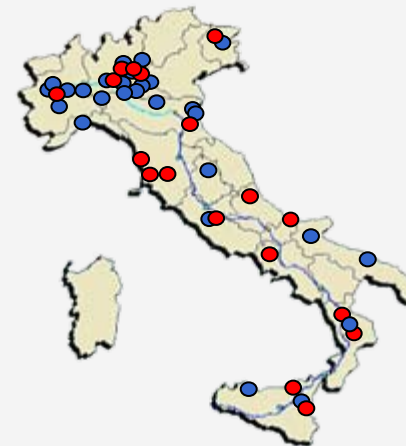
Key factors by 2020

- Electricity demand: ~ 1.5% yearly growth
- Electricity import: ~ 2.5% yearly decrease
- Domestic thermoelectric production: ~ 1.8% yearly increase
 - Of which fuelled by gas: ~ 3.1% yearly increase

CCGT Programme forecasts 35 GW in operation by 2012*

- 26.2 GW in operation/start up at the end of 2008
- 6.4 GW under construction at the end of 2008

* CCGT utilization estimated at an average of ~ 4600 h/y between 2009 and 2012



● Under construction



GAS MARKET SCENARIO

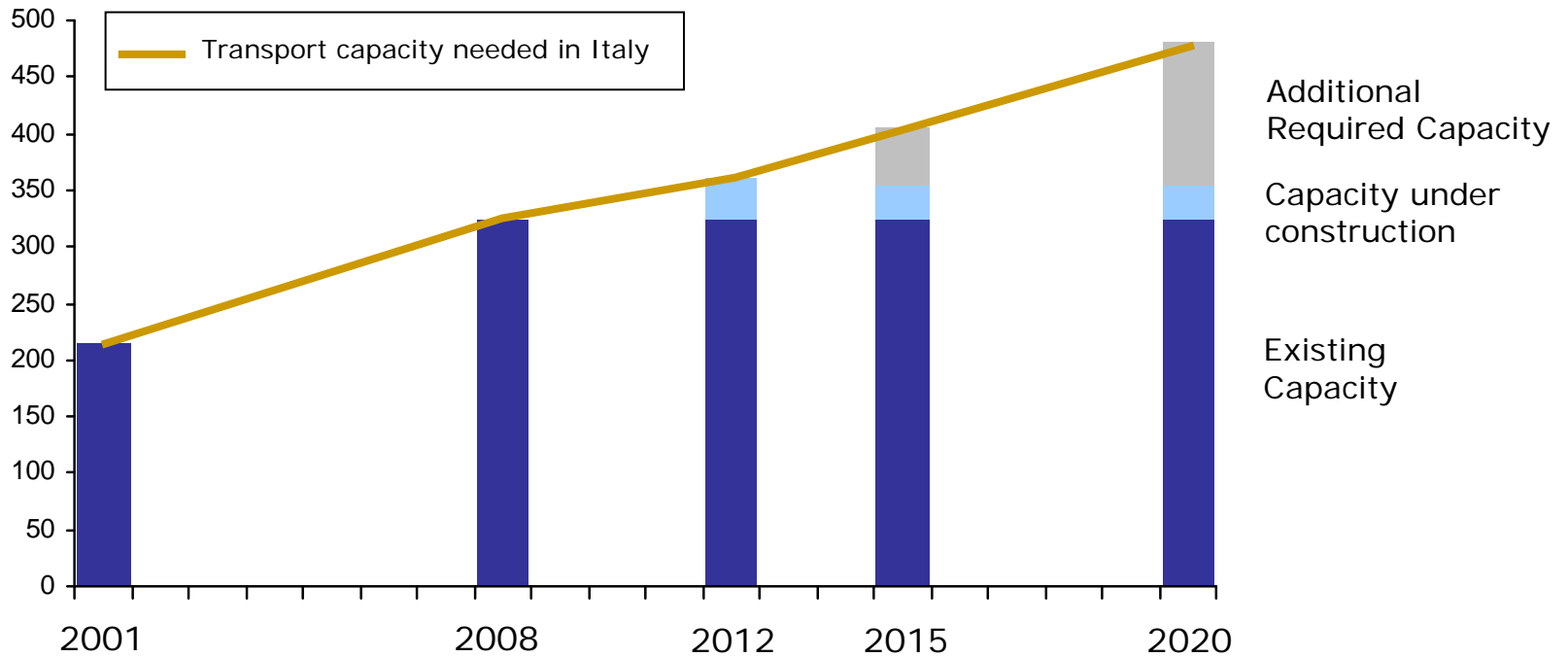
CAPEX PLAN

EFFICIENCY COMMITMENT

New Capacity Requirements to increase Flexibility and Security



million
Scm/d



Developing projects for medium and long term

European Main Transport Systems



	Load factor*			
	UK	France	Spain	Italy
2003	39%	54%	71%	73%
2006	65%	54%	56%	77%
2007	36%	50%	50%	71%

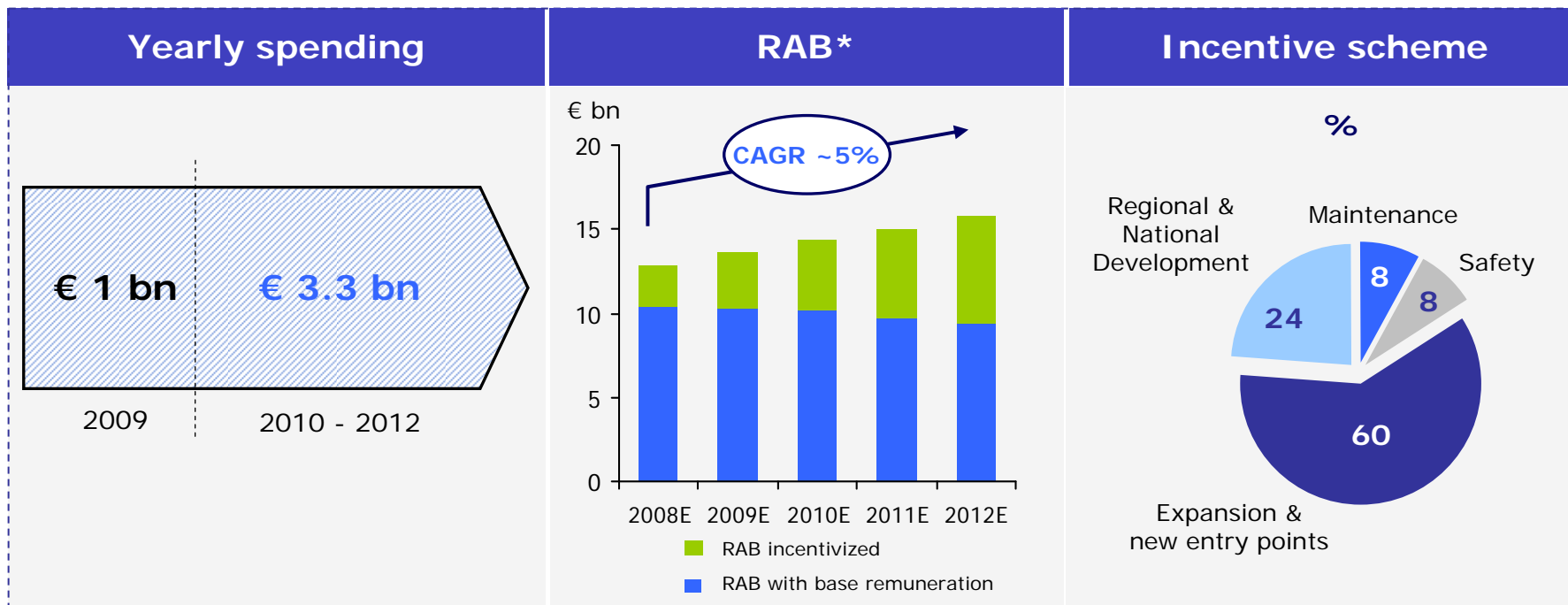
New investment to align Italian system flexibility to best European standards

*Source: Ocse, GRTgaz, Enagas, Saggas, Gas Natural and National Grid

Capex Plan 2009 - 2012



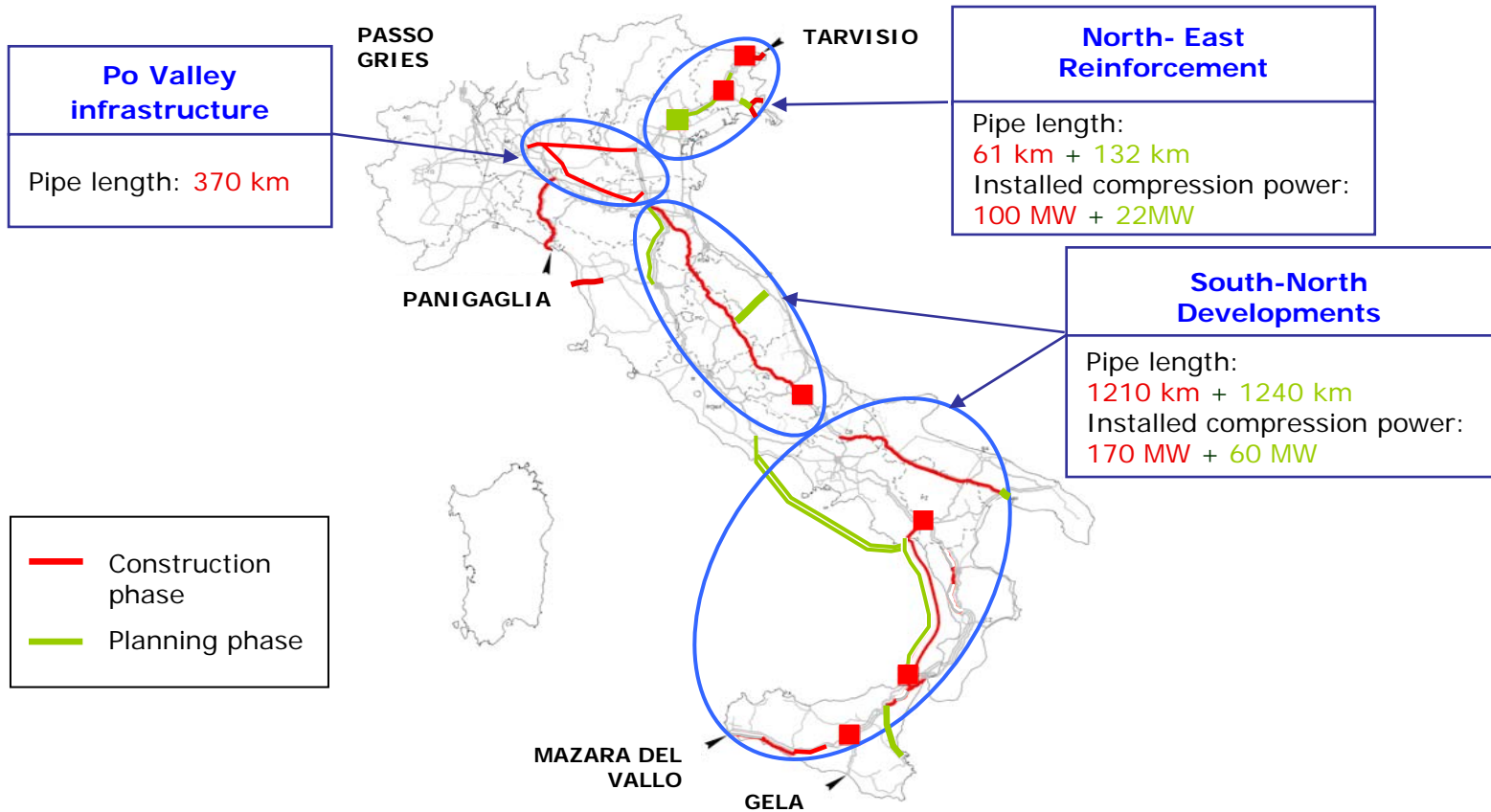
€ 4.3 billion



Confirming a significant programme to fuel profitable asset base growth

* Assuming an annual inflation rate of 2% for the 2009-2012 period and on the basis of the current regulatory framework

Solid Projects Platform driving Capex Growth



2013-2015 yearly spending: ~ €1 billion



GAS MARKET SCENARIO

CAPEX PLAN

EFFICIENCY COMMITMENT

Cost Efficiency



Controllable fixed costs (in real terms)

UP TODAY

Regulatory target:
-6%
in the second regulatory period

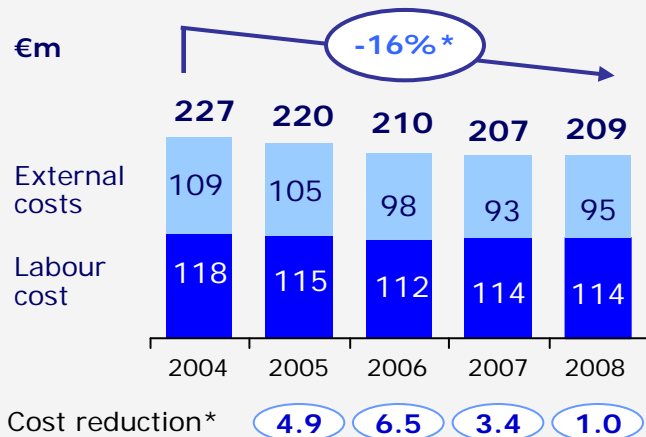
SRG Commitment
-15%
in the second regulatory period

Delivered by 2008
-16%

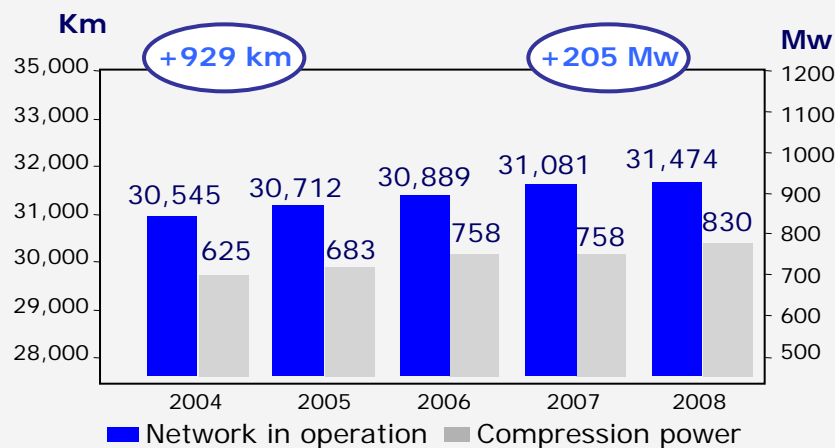
FURTHER EFFICIENCY MATCHING ADDITIONAL COSTS OF INCREASED OPERATING ACTIVITY

2009

Controllable fixed costs



Transport infrastructure

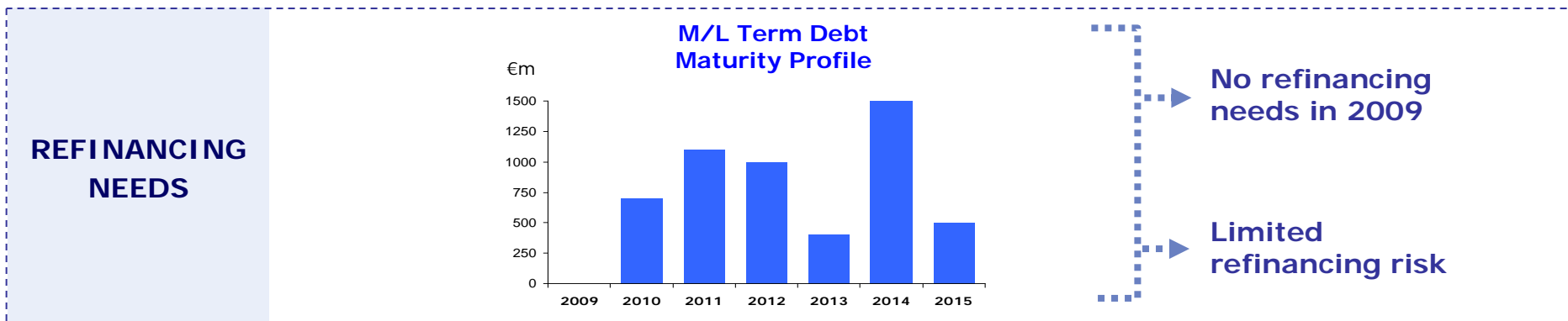


Capital Structure: strong balance sheet



LEVERAGE	D/RAB		2009-2012 Average	
	2007	2008	Book value (D/D+E)	RAB (D/RAB)
	48%	49%	65%	~50%
			Cash flow from operation: ~ €4 billion	

DEBT STRUCTURE	At year end 2008	2009-2012
	<p>Floating 40% Fixed 60%</p> <p>M/I term debt: ~ 80% of total</p>	<p>TARGET: maintain exposure to interest rates <50%</p>





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A Compelling Transaction

Carlo Malacarne

Chief Executive Officer

Key Transaction Terms



TRANSACTION STRUCTURE

- Acquisition of 100% of Stogit and Italgas for a total equity consideration of
 - €m 1,650 for Stogit
 - €m 3,070 for Italgas
- } fully paid in cash
at closing

ACQUISITION FINANCING

- Debt Financing up to € 1.3 bn (already committed)
- Rights Issue to subscribe ordinary shares of up to € 3.5 bn
 - Eni has undertaken to subscribe its quota of pre-emptive rights
 - Pre-underwriting agreement signed with Mediobanca for the quota offered to the market

CLOSING & PRELIMINARY TIME TABLE

Not subject to conditions precedent

12 Feb. 09	13 Feb. 09	17 March 09	By July 09
<ul style="list-style-type: none"> ▪ Acquisition approved and EGM called by Snam Rete Gas Board of Directors ▪ Share Purchase Agreements with Eni signed 	<ul style="list-style-type: none"> ▪ Transaction Announced 	<ul style="list-style-type: none"> ▪ Extraordinary Shareholders' Meeting, to grant the authority to BoD for the Rights Issue 	<ul style="list-style-type: none"> ▪ Expected Closing of Rights Issue offering and of the M&A transaction

Strategic & Industrial Rationale



Creation of a unique player in the regulated gas business

A perfect fit with Snam Rete Gas strategy

Delivering value from efficiency and expertise sharing

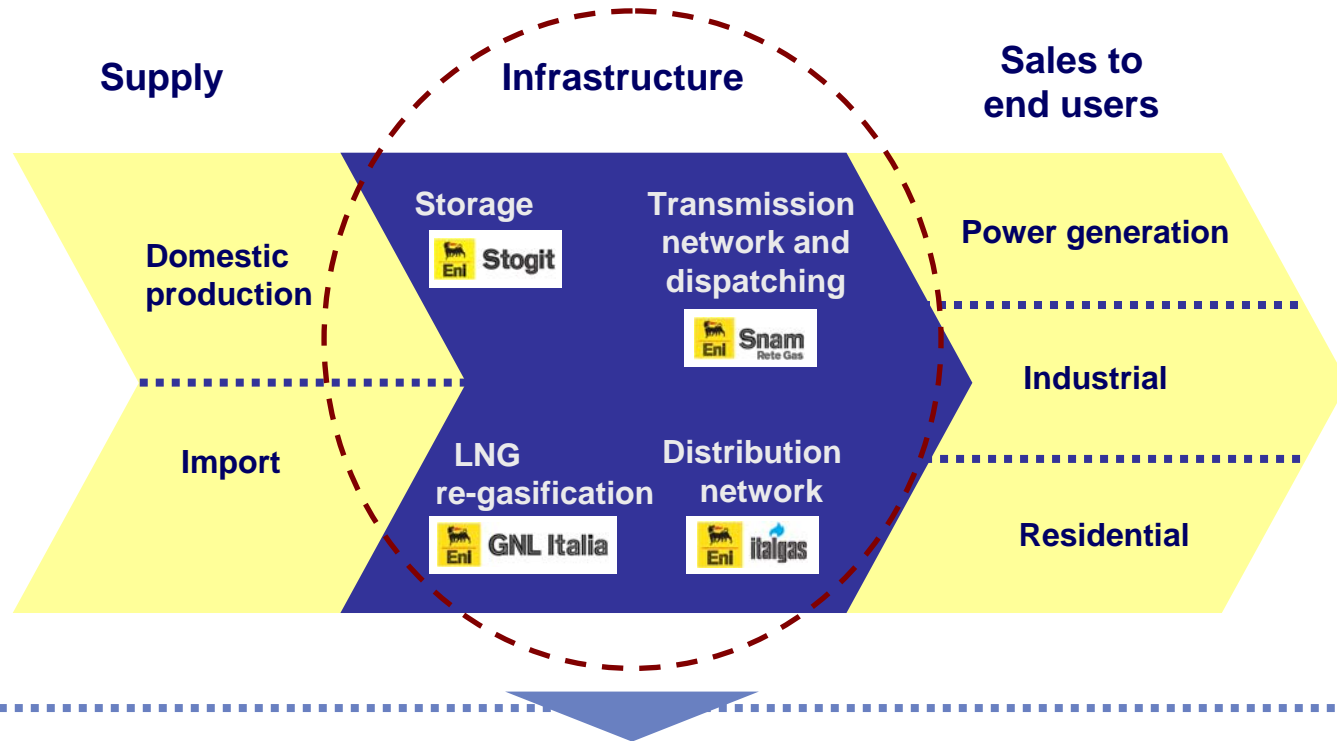
Enhanced growth profile in regulated gas business

Diversification of regulatory risk

Beneficial to all gas system stakeholders

**Preserve low risk profile, profitable long term growth
and shareholders return**

A Unique Player in Regulated Gas Business



OPTIMIZATION OF GAS VALUE CHAIN

- Facilitate access to the system
- Optimal balancing of the network
- Demand peaks control

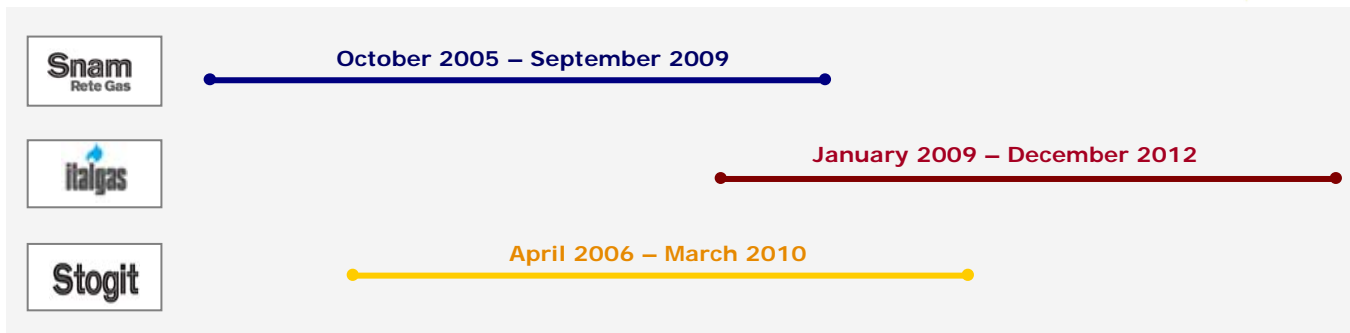
ENHANCEMENT OF GROWTH PROFILE

- Growing gas demand
- Increased regulated assets base & potential for additional development capex
- Improvement of quality in transportation and distribution service

Diversification of Regulatory Risk



MISMATCHING REGULATORY PERIODS



RETURN ON RAB

SNAM RETE GAS	ITALGAS	STOGIT
---------------	---------	--------

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> 6.7% | <ul style="list-style-type: none"> 7.6% (distribution) 8.0% (metering) | <ul style="list-style-type: none"> 7.1% |
|--|--|--|

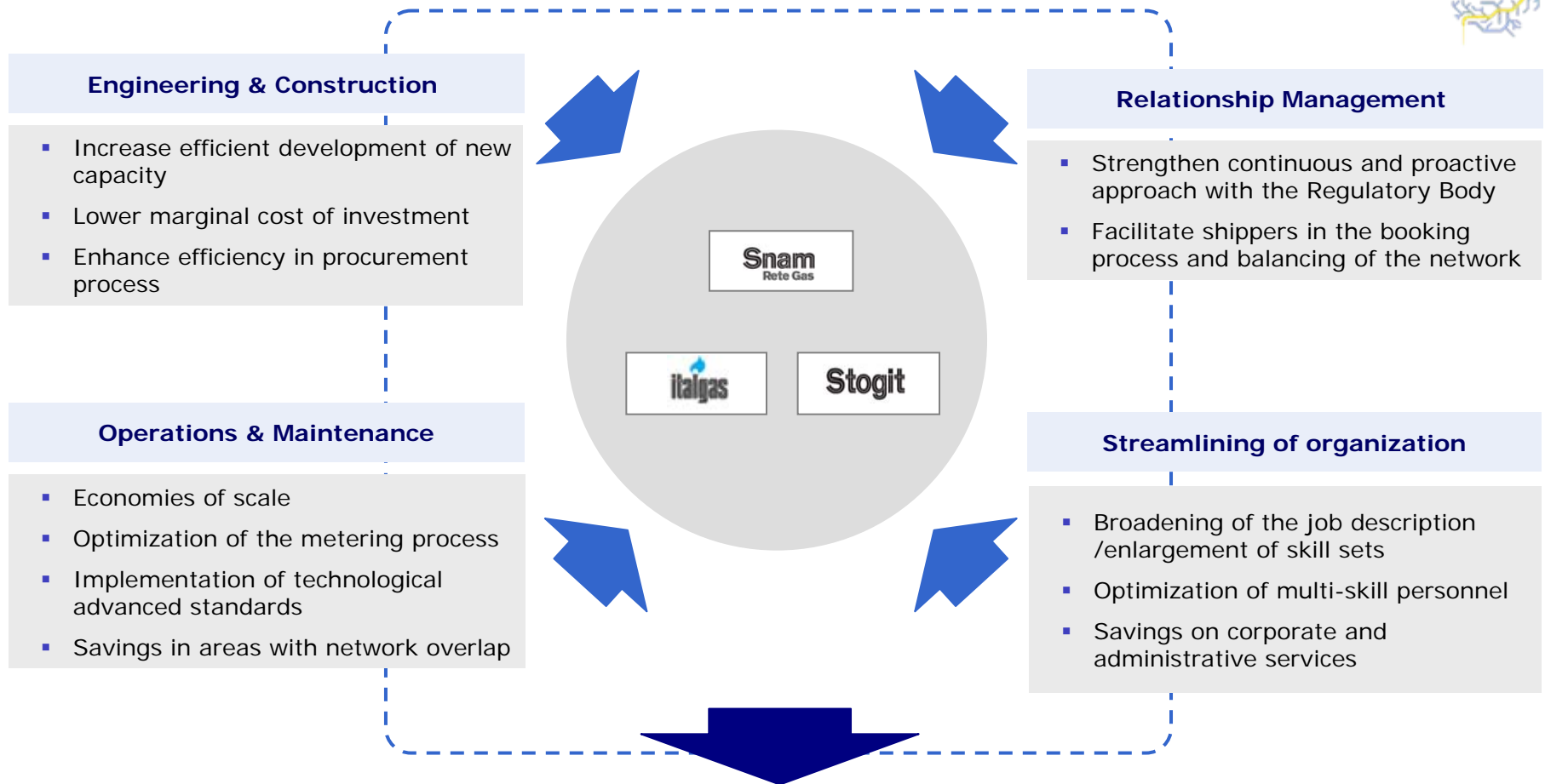
INCENTIVES ON NEW INVESTMENTS

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> +1-3% for 5-15 years according to investment category | <ul style="list-style-type: none"> +2% for 8 years for the substitution of cast iron pipelines and the renewal of odorization systems | <ul style="list-style-type: none"> +4% for 8 years for enhancements of existing sites +4% for 16 years for new sites |
|---|--|--|

RELATIONSHIP WITH THE AUTHORITY

- | |
|---|
| <ul style="list-style-type: none"> SRG established track record in discussing proactively with the Authority |
|---|

Delivering Value from Efficiency and Expertise Sharing

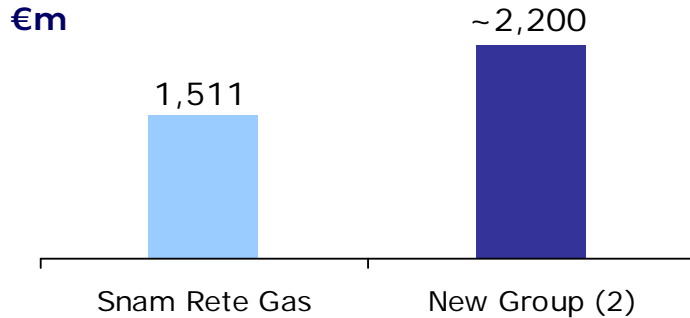


Preliminary yearly estimated cost savings & synergies
~ 2% New Group 2008 Ebitda (at regime by 2012)

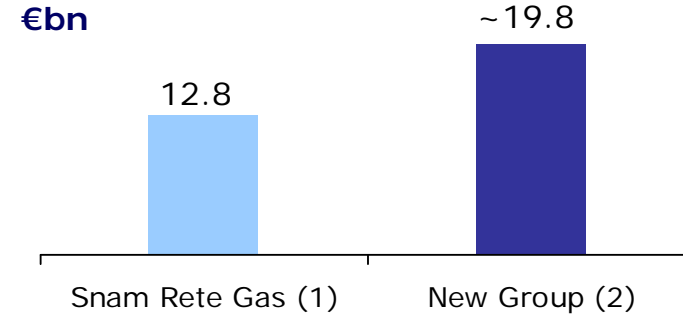
2008 Key Financials of the New Group



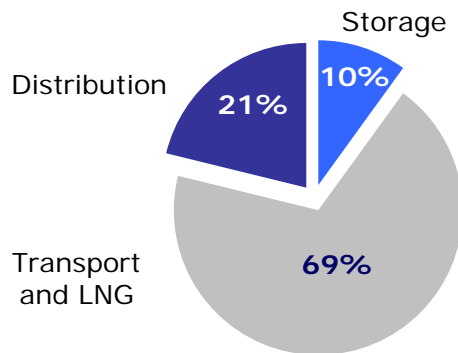
PRELIMINARY EBITDA



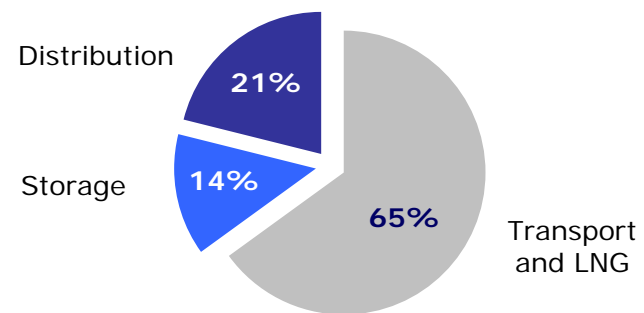
RAB



BREAKDOWN NEW GROUP PRELIMINARY EBITDA



BREAKDOWN NEW GROUP RAB



- (1) SRG figure estimated assuming 2% inflation rate for 2008 and according to the current regulatory framework
- (2) Snam Rete Gas + Stogit S.p.A. + Italgas S.p.A. & Napoletana Gas S.p.A. (not including other subsidiaries), without considering any consolidation or pro-forma adjustments



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Financial Overview

Antonio Paccioretti

Chief Financial Officer

Financial Highlights



Italgas ⁽¹⁾

€m	2007	2008 preliminary
Revenue	737	781
EBITDA	404	455
EBIT	274	317
Adj. Net Profit ⁽²⁾	163	248

€m	31/12/2007	31/12/2008 preliminary
Net Financial Debt	902	1,164
Shareholders' Equity	2,194	2,167
RAB at y.e. 2008 € bn		4.3
Financial Assets (at book value)	323	325

Stogit

€m	2007 adjusted ⁽²⁾	2008 preliminary
Revenue	308	304
EBITDA	250	237
EBIT	187	172
Net Profit	91	83

€m	31/12/2007	31/12/2008 preliminary
Net Financial Debt	758	938
Shareholders' Equity	1,001	936
RAB at y.e. 2008 € bn		2.8
Financial Assets (at book value)	-	-

(1) Preliminary consolidates accounts (consolidation area includes Italgas S.p.A. & Napoletana Gas S.p.A.)

(2) Adjusted for non recurring items

Main Contractual Items



ITALGAS

- Current perimeter includes gas distribution activities in Rome
- Should the GDF-Suez deal be finalized, the current perimeter area will show a lower value of RAB for ~€1 billion and lower Net Debt for the same amount

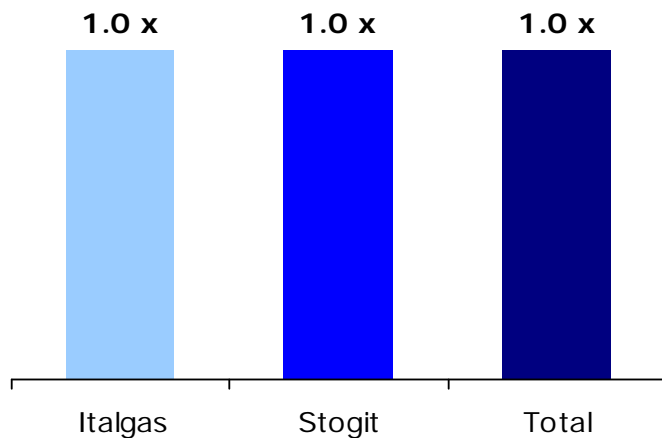
STOGIT

- Snam Rete Gas will have limited exposure to risks/opportunities deriving from different values of gas reserves in the future as a consequence of a different energy price scenario
- Snam Rete Gas minimizes its exposure to non regulated business which could materialize in the future since Eni will withhold a significant part of any risks/opportunities deriving from possible developments of the currently regulated plants into “merchant” (non regulated) activities

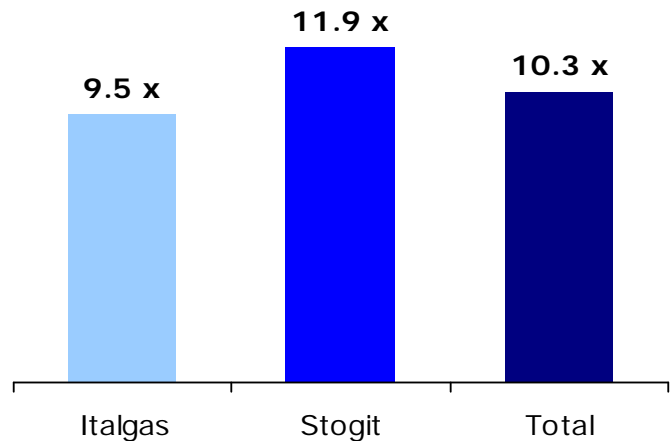
Implied Multiples



EV/RAB 2008 Preliminary



EV/EBITDA 2008 Preliminary



Preserve Strong Balance Sheet



SUSTAINABILITY OF BUSINESS PLAN

- Confirming the targets of Snam Rete Gas “stand alone” capex plan
- Fuelling Italgas and Stogit capex plans

LEVERAGE

- Rights Issue allows SRG to maintain an appropriate capital structure
- Confirming leverage targets in the medium/long term

2009-2012 Average

(D/RAB)

~ 50%

DEBT STRUCTURE

- Confirming debt structure

- **Fixed-rate debt: 50%-60% of the total**
- **M/I term debt: ~ 80% of the total**

Key Financing Parameters



- Transaction consideration: € 4.7 bn fully paid in cash at closing, funded through:

DEBT FINANCING

- Debt Financing up to € 1.3 bn:
 - € 0.4 bn floating rate
 - € 0.9 bn fixed rate
 - Maturity: 7 years
 - Spread of 260 bps

CAPITAL INCREASE

- Fully underwritten Rights Issue up to € 3.5 bn
 - Eni has undertaken to subscribe its quota of pre-emptive rights
 - Pre-underwriting agreement signed with Mediobanca



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Creating a Leader in the Regulated Gas Business

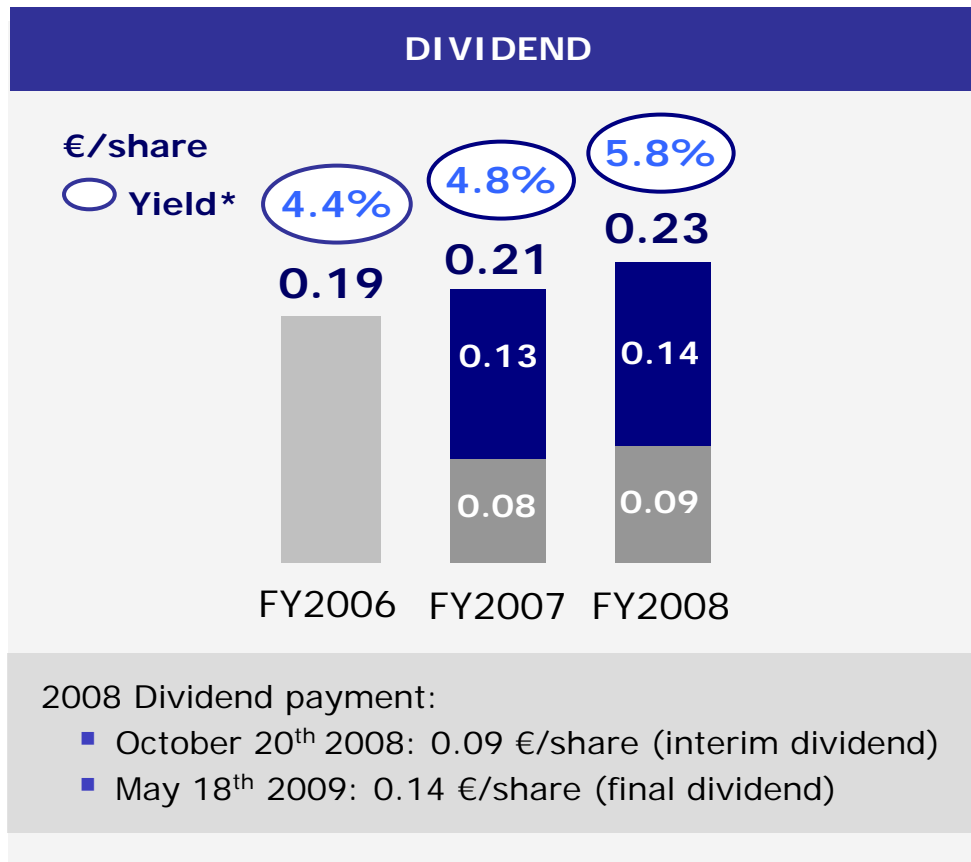
Milan, February 13th, 2009

Final Remarks

Carlo Malacarne

Chief Executive Officer

Confirming Attractive Shareholders' Return



FY2009

- Dividend a key priority
- Interim dividend practice confirmed
- Robust shareholders' return in a growing business

*Yield calculated as: dividend for the reporting year/official share price at year end

A Perfect Fit with SRG's Value Proposition



CAPITAL EXPENDITURE

- To meet market needs in the long term
- To increase security and flexibility of the network
- To fuel profitable long term growth



- Stogit attractive ongoing CAPEX plan
- Italgas leading position underpinning further growth opportunities in the regulated business

EFFICIENCY

- Operational
- Capital structure



- Benefits from implementing SRG excellent track record at Italgas and Stogit level

LOW RISK PROFILE

- Focus on gas regulated business in Italy
- Preserve solid balance sheet in the medium-long term



- Acquisition of leading operators
- Sound and attractive regulatory frameworks

SHAREHOLDER RETURNS

- Attractive
- Sustainable



- Confirmed attractive and sustainable return policy



Q & A Session



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