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2009 – 2012 Strategy Update

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Benefiting from Integration

Carlo Malacarne
Chief Executive Officer

Focus on Strategy to drive Performance

CAPITAL EXPENDITURE

EFFICIENCY

LOW RISK PROFILE

ATTRACTIVE & SUSTAINABLE
RETURNS TO SHAREHOLDERS

New Group

Short and Long Term Value

Agenda

- Regulatory framework
- Capex plan
- Efficiency in the New Group
- Capital structure
- Final remarks

Agenda

- **Regulatory framework**
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Transport:
Outcome for the Third Regulatory Period

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Clear and stable

- 4-year regulatory period (from 2010 to 2013)
- Transparent methodology to calculate allowed revenues
- RAB based on "re-valuated historical cost" methodology

Attractive incentives

- Extra-return allowance on new investments
- Extra-efficiency retention on operating costs
- Financial efficiency retained in the period

Long term visibility

- Up to 15 years premium on new investments
- Profit sharing retention gradually transferred to shippers in 8 years

Low risk profile

- No inflation exposure (yearly adjustment of RAB and revenues)
- Very low gas demand exposure (increased capacity revenue)
- No exposure to fuel gas cost (pass through)

Transport: Main Figures for the Third Regulatory Period

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Return on RAB

- 6.4% in real terms pre-tax
- 1% premium for 5 years for safety capex
- 2% premium for 7 - 10 years for capacity development capex
- 3% premium for 10 - 15 years for entry-capacity development capex
- Base rate and premium recognised on spending

Depreciation

- 50 years pipeline (vs. 40 years in previous periods)
- 20 years pressure reduction system (vs. 40 years in previous periods)
- 5 years for ICT system (vs. 10 years in previous periods)

Operating costs

- Actual cost of year 2008 increased by 50% of extra efficiency
- (RPI –X) applied only on commodity unit revenue
- X-factor determined to transfer extra efficiency in 8 years

Tariff

- Commodity reference volume: 75.7 bcm
- Entry/Exit tariff system confirmed

A Clear and Stable Regulatory Framework along the Integrated Gas Chain

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	TRANSPORT	DISTRIBUTION	STORAGE	REGASIFICATION
RAB methodology	▪ Re-valued historical cost	▪ Re-valued historical cost ▪ Parametric method for central assets	▪ Re-valued historical cost	▪ Re-valued historical cost
WACC real pre-tax	▪ 6.4% (transport) ▪ 6.9% (metering)	▪ 7.6% (distribution) ▪ 8.0% (metering)	▪ 7.1%	▪ 7.6%
INCENTIVES on new investments	▪ 1% for 5 years (on security capex) ▪ 2% for 7/10 years (on capacity development capex) ▪ 3% for 10/15 years (on entry capacity development capex)	▪ +2% for 8 years (on substitution of cast iron pipelines and the renewal of odorization systems)	▪ +4% for 8 years (on development of existing sites) ▪ +4% for 16 years (on new sites)	▪ +2% for 8 years (on development of existing terminals <30%) ▪ +3% for 16 years (on new terminals or development >30%)
EFFICIENCY X-factor	▪ On opex to transfer extra efficiency in 8 years	▪ 3.2% on distribution opex ▪ 3.6% on metering opex	▪ 2.0% on opex ▪ 1.5% on depreciation	▪ 0.5% on opex

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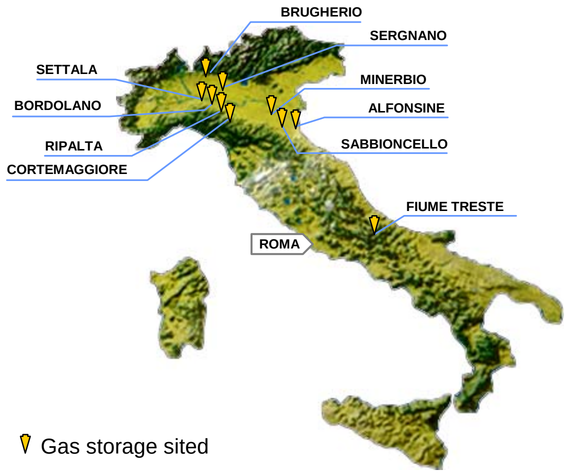
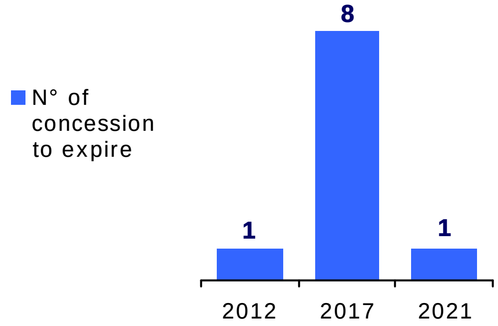
Italgas & Stogit: Concession Framework

Stogit

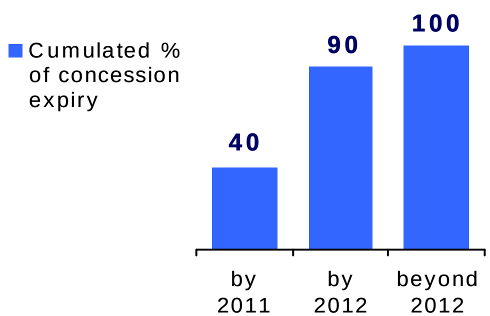




Renewable for a maximum of 2 times of 10 years each

- Not considerable concession risk
- Limited exposure to risk/opportunities deriving from different value of gas reserves at the end of the concession period
- Stogit applied in 2009 for the first 10 years extension of Fiume Treste

Italgas



- Concession framework to be completed in coming months
- New tender regime likely to favour efficient companies with large scale and established presence on the territory

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Optimization of Combined Investment Plan

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Transport & LNG

- Selected projects to meet capacity requirements and to increase flexibility and security of supply
- Consistent commitment to improve service quality
- Constant effort to facilitate the development of a European gas hub

Distribution

- Consolidate asset base increasing profitability
- Proactive and selective portfolio management
- Increase quality of service

Storage

- Improve overall system security and flexibility, increasing capacity for modulation services and peak demand control
- Optimize balancing of the system
- Facilitate gas system liquidity

To strengthen security , flexibility and service quality of the gas system

Snam Consolidated Capex Plan 2009 - 2012

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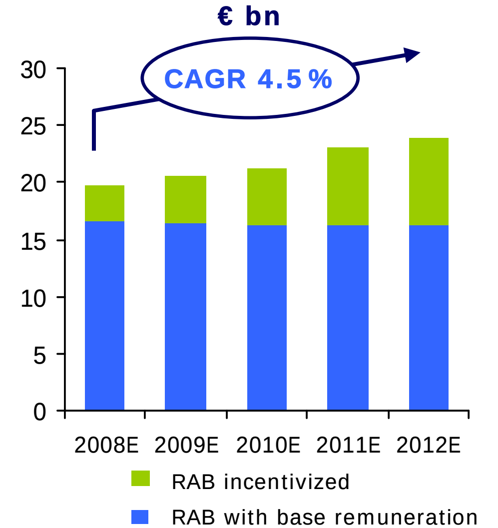
€ 6.4 billion

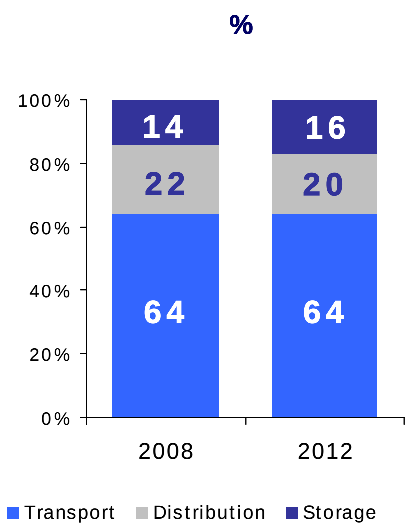
Spending*

€ 1.4 bn	€ 5 bn
2009	2010 - 2012

Consolidated RAB**



RAB Breakdown



Significant programme to fuel profitable asset base growth

* Net of subsidies

** 2009 -2012 RAB evolution calculated assuming annual inflation rate of 2% and on the basis of the approved regulatory frameworks

Capex Program Details

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Transport

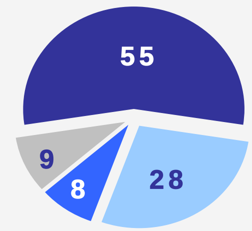
Spending (*)

€ ~0.9 bn — 2009

€ ~3.3 bn — 2010 - 2012

2009 – 2012 Incentive scheme

%



- Expansion & New entry points
  3% premium for 10 – 15 yrs
- Regional & National Develop.
  2% premium for 7 – 10 yrs
- Safety
  1% premium for 5 yrs
- Maintenance
  Base return: 6.4%

Storage

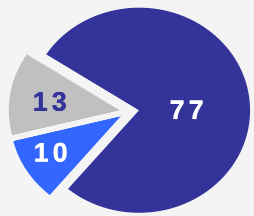
Spending (*)

€ ~0.2 bn — 2009

€ ~0.9 bn — 2010 - 2012

2009 – 2012 Incentive scheme

%



- Development of new fields
  4% premium for 16 yrs
- Expansion of existing fields
  4% premium for 8 yrs
- Maintenance
  Base return: 7.1%

Distribution

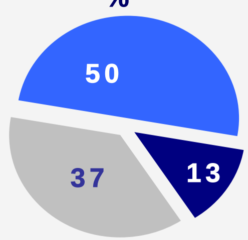
Spending (*)

€ ~0.3 bn — 2009

€ ~0.8 bn — 2010 - 2012

2009 – 2012 Incentive scheme

%



- Substitution of cast iron pipes
  2% premium for 8 yrs
- Metering
  8% allowed return
- Other investments
  Base return: 7.6%

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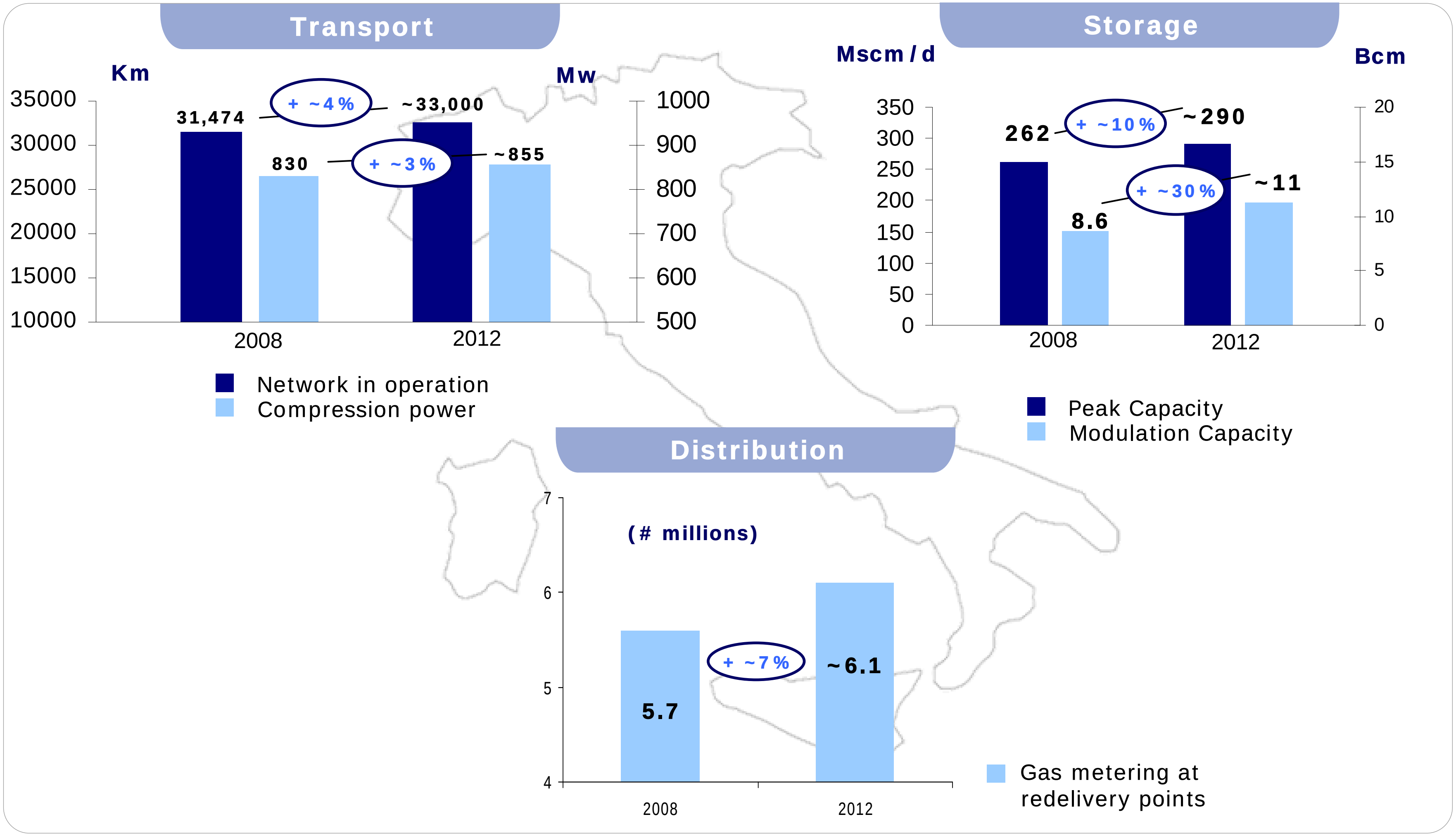
* Net of subsidies

Develop New System Requirements to Increase Flexibility and Security



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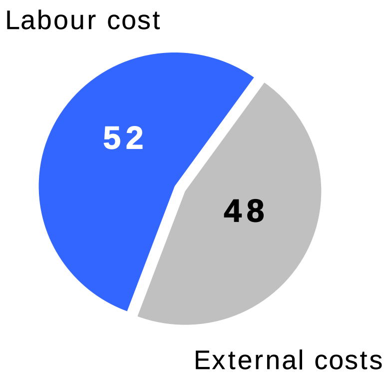
Savings from Cost Efficiency and Synergies

Controllable fixed costs (in real terms)

FY 2008

Total amount*:
€ *500* mln

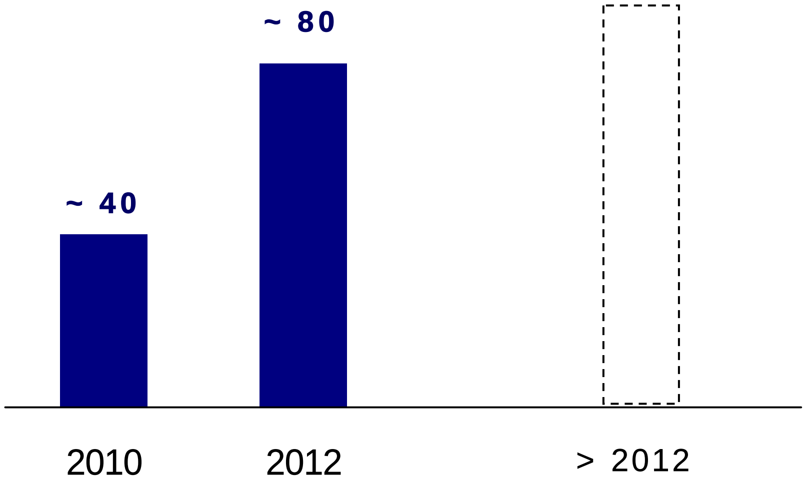
%



* Pro-forma figure

Annual Savings*

€m



*Based on 2008 controllable fixed costs

- **2012 efficiency target announced in February expected to be achieved in 2010**
- **Doubling the preliminary value estimated by 2012**
- **Additional savings beyond 2012**

Delivering Value from Efficiency

Operations

- Operational and maintenance best practices applied throughout the entire group
- Implementation of technological advanced standards
- Standardization of network management process & network overlaps reduction
- Integration of metering and dispatching activities

Shared Services

- Centralization of services
  - Personnel
  - Logistics
  - Adminsitrative
  - Real Estate
  - Facility Management
  - Standard ICT Technology
- Standardization of systems and processes

Overall amount of efficiencies in 2012 ~ € 80 mln*

ICT

- Integrated management of hardware and software
- Development of an integrated ICT system
- Simplify systems architecture

Supply Chain / Procurement

- Higher purchasing power due to increased volumes
- New terms and conditions aligned to best practices
- Exploiting economies of scale

* Based on 2008 controllable fixed costs

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Solid and efficient Capital Structure

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STRONG & EFFICIENT BALANCE SHEET

- Confirming leverage targets in the medium/long term

2009-2012 Average	9M09 Cost of debt	
(D/RAB)	Average 3.04%	
~ 50%	Fixed 4.36%	Floating 1.18%

LIMITED EXPOSURE TO INTEREST RATES

- Controlling P&L results volatility in the medium term
- Benefiting current low interest rate scenario

Fixed-rate debt

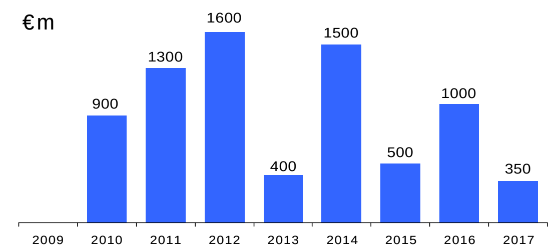
50%-60% of the total

Average duration fixed debt

~ 4 years

LIMITED REFINANCING RISKS

- M/L term debt: ~ 80% of the total
- Average M/L duration ~ 4 years



M/L Term Debt Maturity Profile at Sept. 2009

SOURCES OF FUNDINGS DIVERSIFICATION

- EIB funding re-opened

Credit Facility

A new € 300 mln credit facility approved

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Confirming Attractive Shareholder Returns

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ROBUST SHAREHOLDERS RETURNS IN A GROWING BUSINESS	**2008-2012**	Estimated CAGR RAB 4.5% Expected incentivised RAB from 15% to 30%
SIGNIFICANT VALUE CREATION THROUGH SYNERGIES	**Savings in 2012**	~ € 80 mln*
DIVIDEND SUSTAINABILITY	**FY 2009**	Expected FY 2009 DPS 3x Interim Dividend level (0.06 €/share)
TOP RANKING YIELD IN THE EUROPEAN UTILITY SECTOR	**Dividend Yield FY 2008**	5.9%**

* Calculated on 2008 controllable fixed cost

** Calculated on the average stock price in the period 1 January-23 April 2009 (right issue start)

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Driving Value Creation

CAPITAL EXPENDITURE

- To meet market needs in the long term
- To increase security and flexibility of the system

To drive profitable long term growth

EFFICIENCY

- Organizational & Operational
- Capital structure

Exploit synergy potential to strengthen SRG unique value creating track record

LOW RISK PROFILE

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

Maximise value through the whole chain of the gas business

SHAREHOLDERS RETURNS

- Attractive
- Sustainable

Confirmed attractive and sustainable return policy supported by organic growth, integration synergies and a solid capital structure

Q & A Session

2009 – 2012 Strategy Update