

snam rete gas



2010 – 2013 Strategy Presentation

Milan, March 11th, 2010



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**Focused on Delivering Value
along the Regulated Gas Chain**

Carlo Malacarne
Chief Executive Officer



CAPITAL EXPENDITURE

Driving profitable long term growth

EFFICIENCY

Exploit value through operational synergies and financial structure

LOW RISK PROFILE

Focus on regulated gas business and solid balance sheet

SHAREHOLDERS RETURN

Attractive and sustainable return policy

A CLEAR AND SOLID VALUE CREATING STRATEGY

- Business Environment
- Capex Plan
- Operational Efficiency
- Associates & Financial Management
- Final Remarks



Business Environment



Capex Plan



Operational Efficiency



Associates & Financial Management



Final Remarks

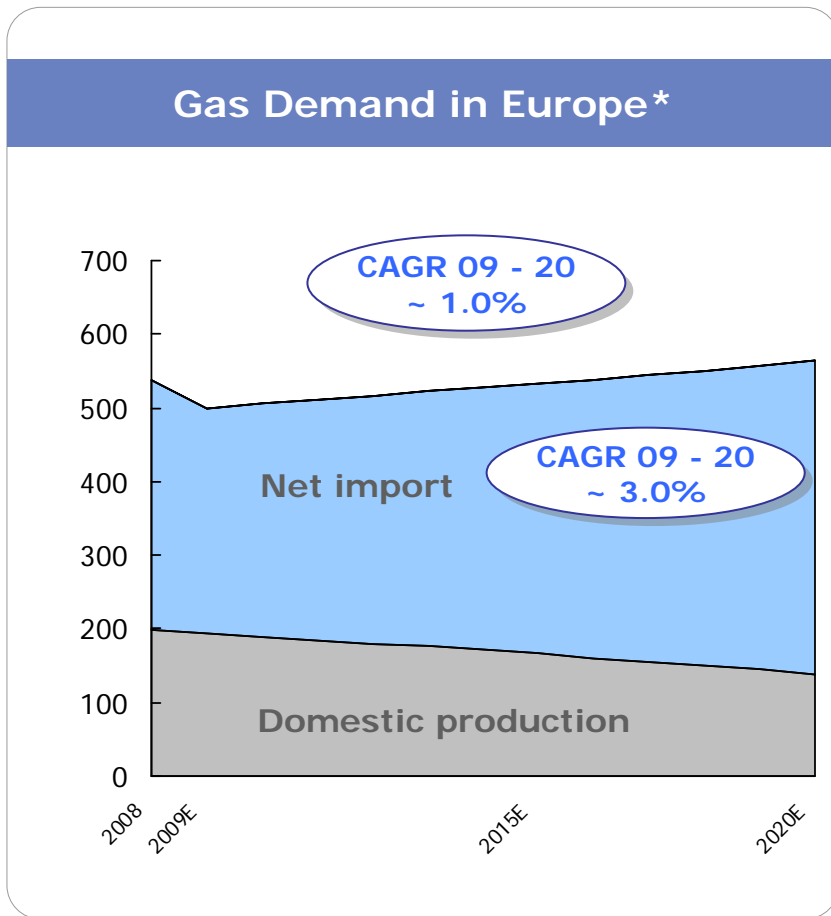
A Clear and Stable Regulatory Framework along the Integrated Gas Chain

	TRANSPORT	DISTRIBUTION	STORAGE*	REGASIFICATION
RAB methodology	<ul style="list-style-type: none"> Re-valued historical cost 	<ul style="list-style-type: none"> Re-valued historical cost Parametric method for central assets 	<ul style="list-style-type: none"> Re-valued historical cost 	<ul style="list-style-type: none"> Re-valued historical cost
WACC real pre-tax	<ul style="list-style-type: none"> 6.4% (transport) 6.9% (metering) 	<ul style="list-style-type: none"> 7.6% (distribution) 8.0% (metering) 	<ul style="list-style-type: none"> 7.1% 	<ul style="list-style-type: none"> 7.6%
INCENTIVES on new investments	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> +2% for 8 years (on substitution of cast iron pipelines and the renewal of odorization systems) 	<ul style="list-style-type: none"> +4% for 8 years (on development of existing sites) +4% for 16 years (on new sites) 	<ul style="list-style-type: none"> +2% for 8 years (on development of existing terminals <30%) +3% for 16 years (on new terminals or development >30%)
EFFICIENCY X-factor	<ul style="list-style-type: none"> 2.1% on opex (only on commodity component) 	<ul style="list-style-type: none"> 3.2% on distribution opex 3.6% on metering opex 	<ul style="list-style-type: none"> 2.0% on opex 1.5% on depreciation 	<ul style="list-style-type: none"> 0.5% on opex

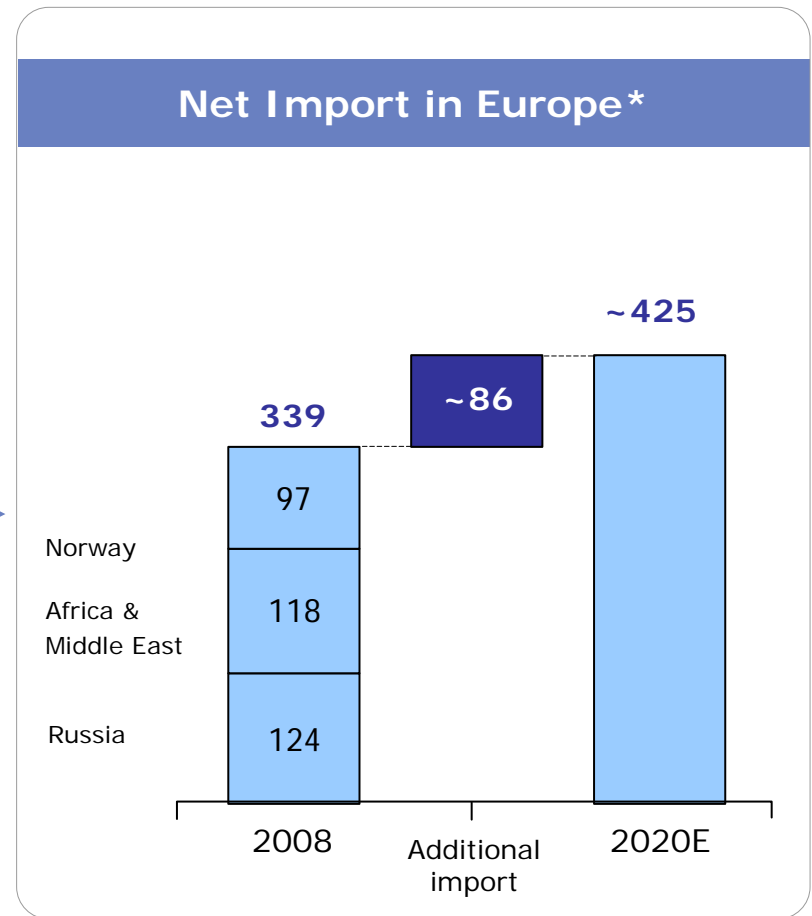
* Current Regulatory framework extended until December 2010

A Very Low Risk Business

Factor	Exposure	Note
Regulation	Low	<ul style="list-style-type: none"> Clear and stable: ~ 85% of the overall business (*) with regulatory rules set for 3 to 4 years Well placed to leverage best regulatory practices
Demand	Low	<ul style="list-style-type: none"> No exposure in distribution and storage business Limited exposure in transport business: revenues 15% commodity linked
Commodity (energy)	Low	<ul style="list-style-type: none"> Fuel gas pass-through from January 1st, 2010
Capex	Low	<ul style="list-style-type: none"> Remunerated on the spending Proved track record in obtaining authorization and investment execution
Interest Rate	Low	<ul style="list-style-type: none"> Regulatory real cost of debt reset at the beginning of each regulatory period Debt: ~60% fixed rate (duration of ~ 3 years, in line with regulatory periods)
Inflation	Low	<ul style="list-style-type: none"> RAB Revenues <p>} Annually inflation linked</p>
Currency	Zero	<ul style="list-style-type: none"> 100% revenues, cost and debt denominated in euro
Re-financing	Low	<ul style="list-style-type: none"> Solid balance sheet: debt ~50% of RAB 80% M/L term

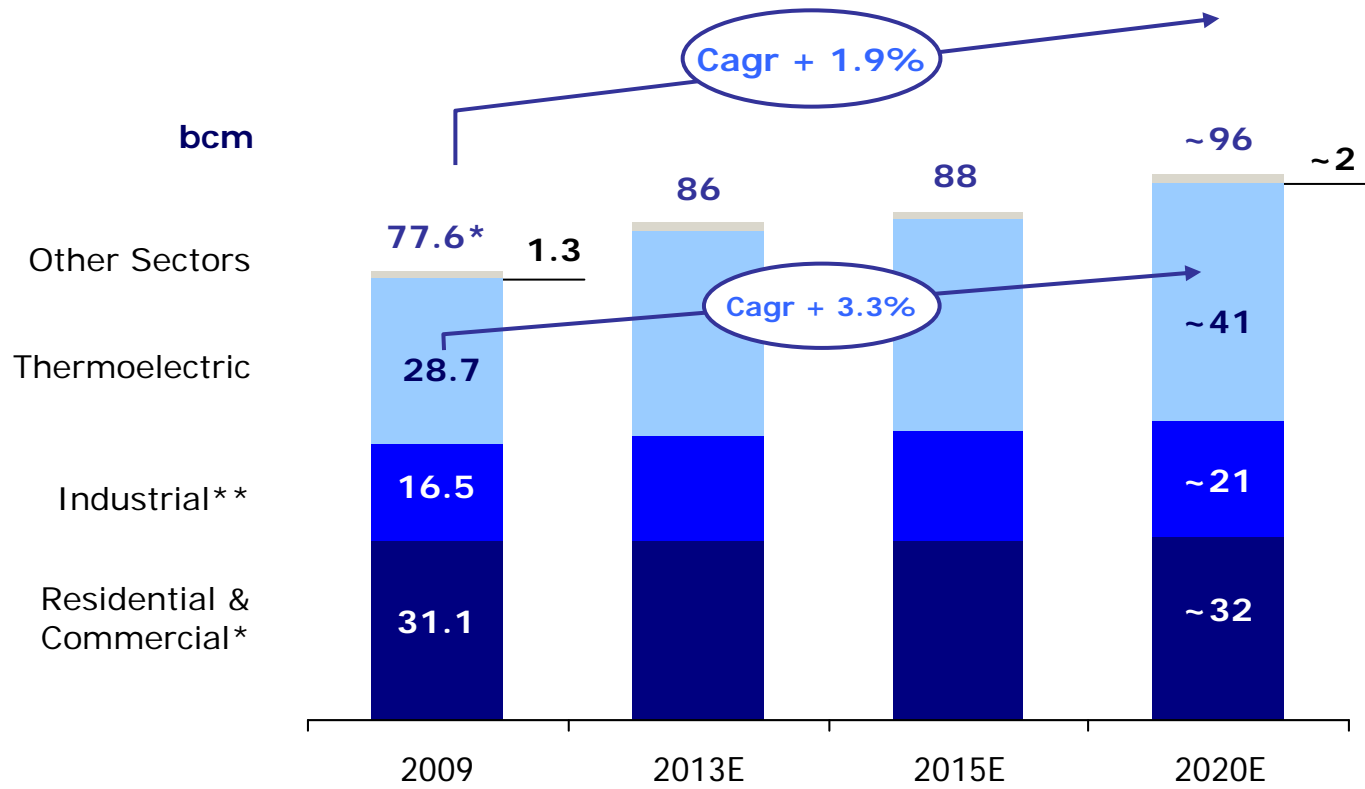


bcm



* Countries: EU 27

Source: Eurogas, Annual Report 2008 – 2009; IEA, World Energy Outlook 2009 (Nov. 2009)



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

Demand growth driven by thermoelectric sector



Source: Italian Ministry of Economic Development and SRG estimates



Business Environment



Capex Plan



Operational Efficiency



Associates & Financial Management



Final Remarks

Investment Priorities to tackle Current and Future Challenges



Strengthen security, flexibility and service quality of the gas system

Create conditions for developing a Southern European gas hub

Support gas demand growth



Transport & LNG

- Selected projects to meet capacity requirements
- Facilitate swap among different supply sources for the domestic market
- Create conditions for the gas transit to European markets

Storage

- Increasing capacity for modulation services and peak demand control
- Optimize balancing of the system
- Facilitate gas system liquidity

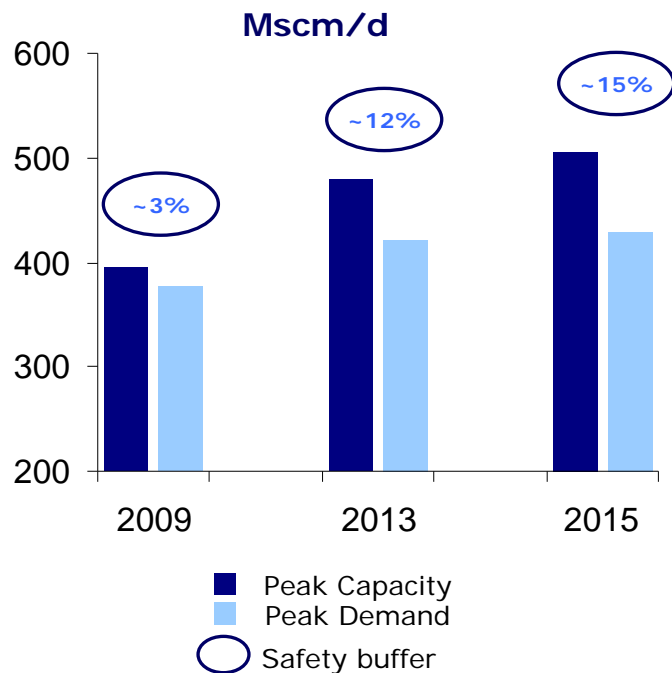
Distribution

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

New Investments to strengthen Italian System Security and Flexibility



Italian Transport and Storage System Peak capacity vs Peak Demand*

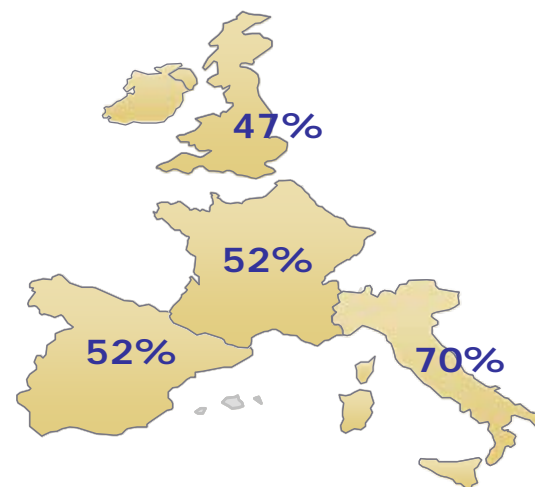


* SRG estimates on the basis of :

- an interruption of the main gas supply importation
- a peak day demand considering cold weather conditions

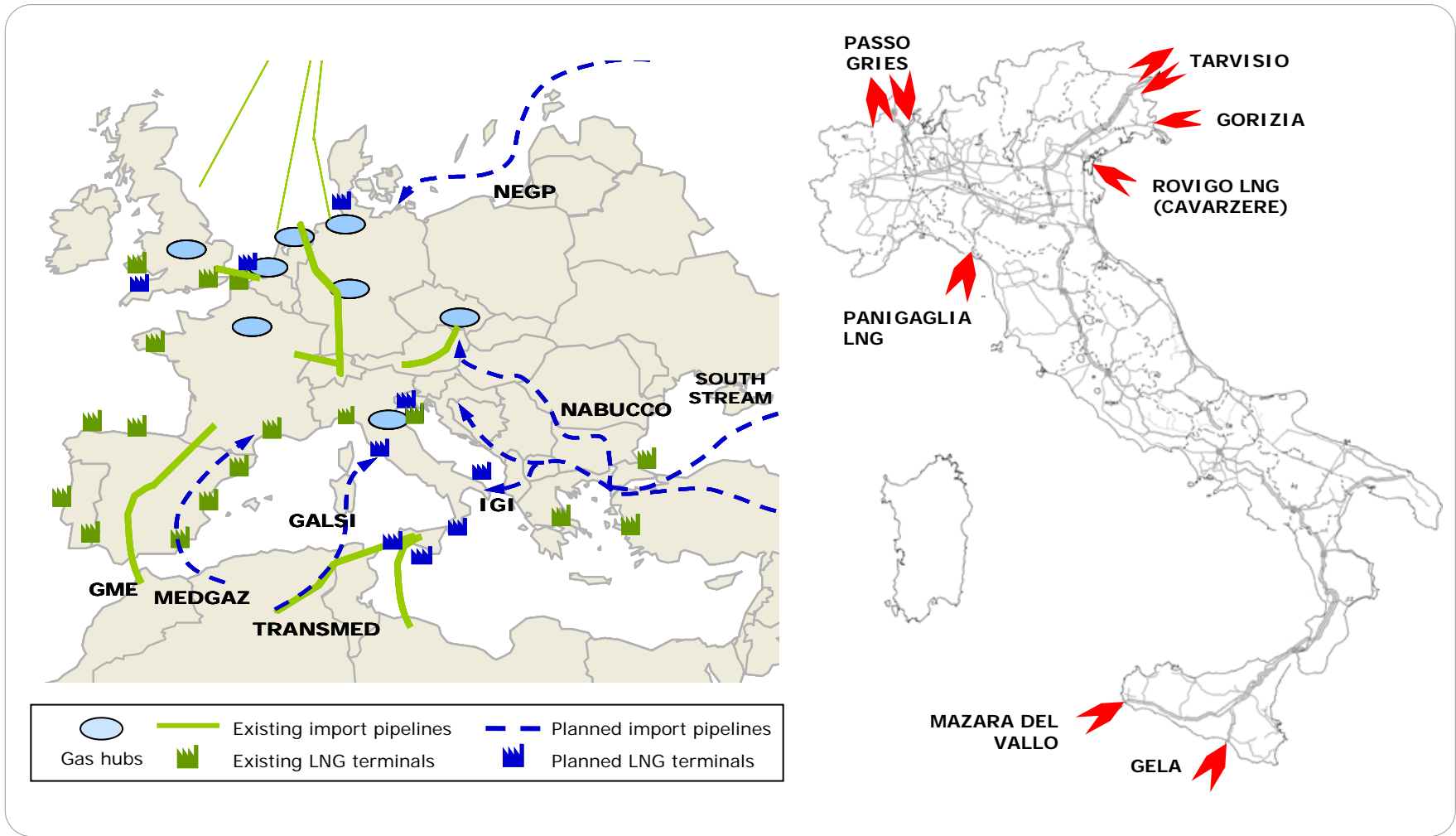
European Main Transport System Load factor**

2005-2009 Average

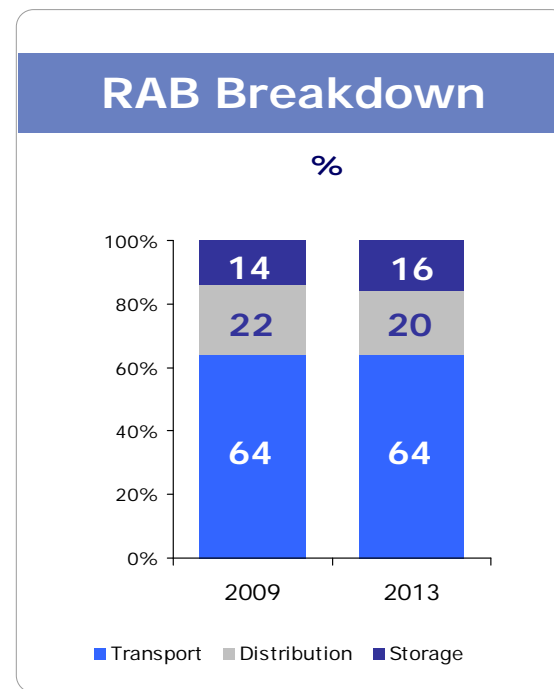
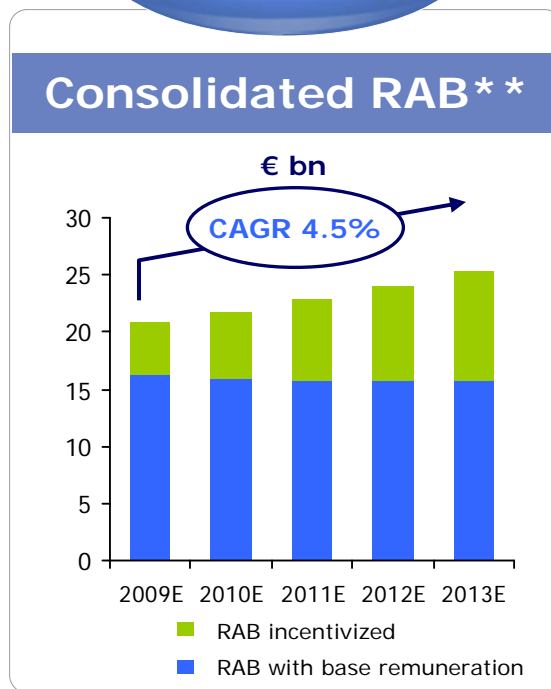
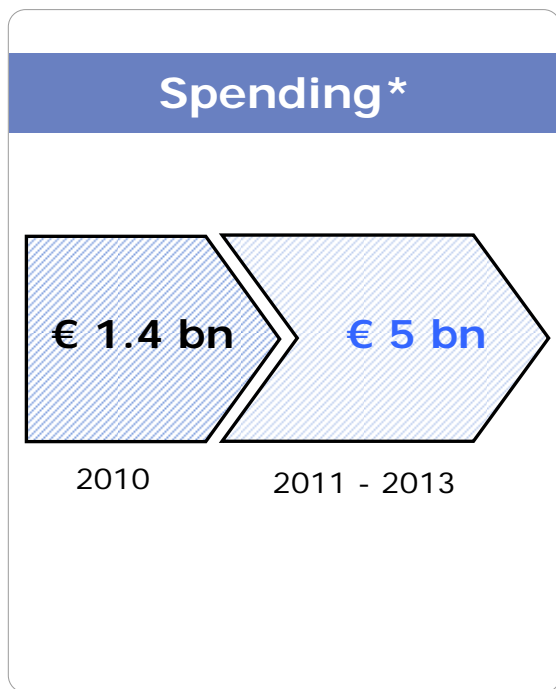


** Source: SRG estimates based on Ocse, GRTgaz, Enagas, Saggas, Gas Natural and National Grid

Gas Hub and Reverse Flow Opportunities



€6.4 billion

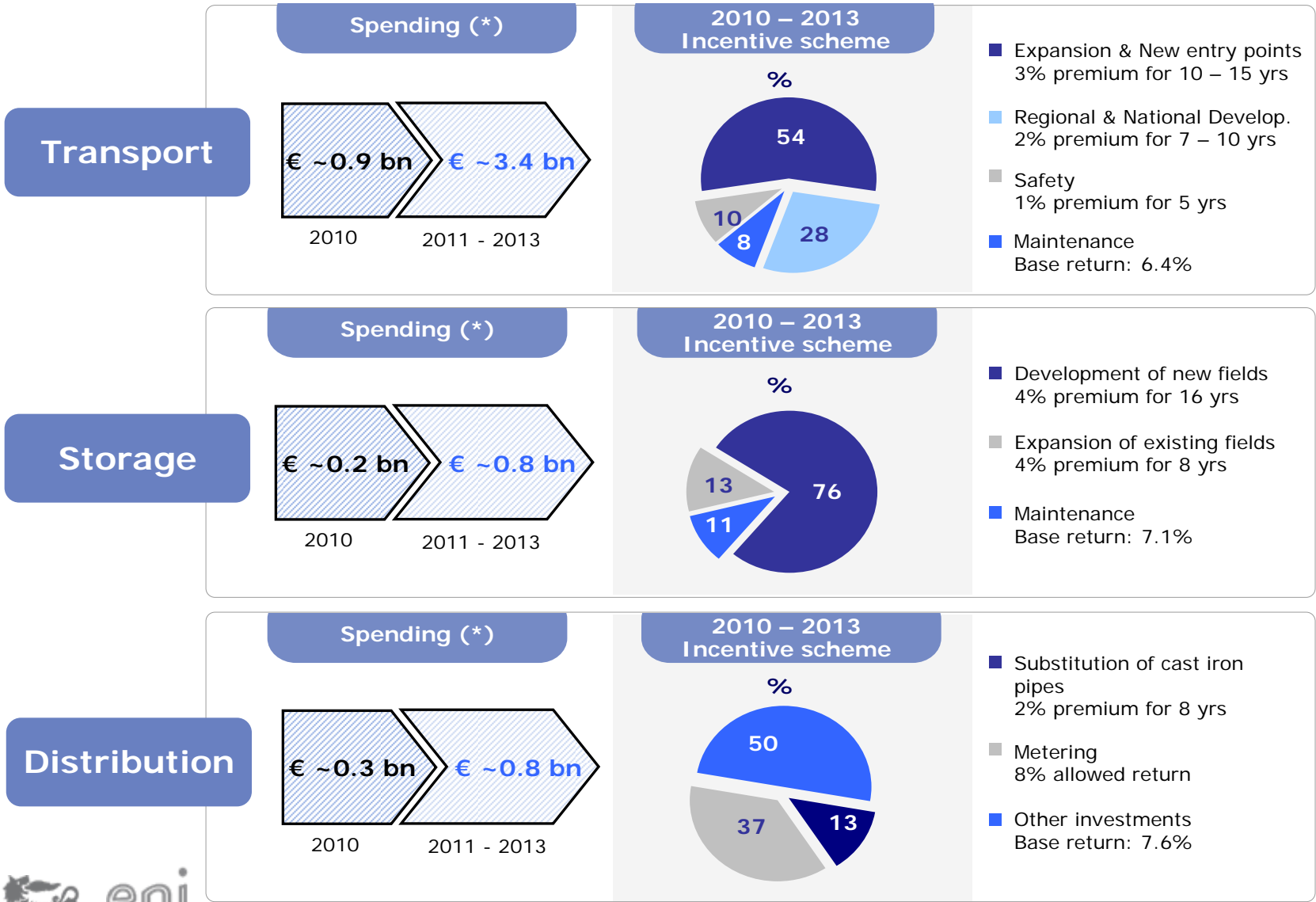


Strong programme to fuel profitable growth in our asset base

* Net of subsidies

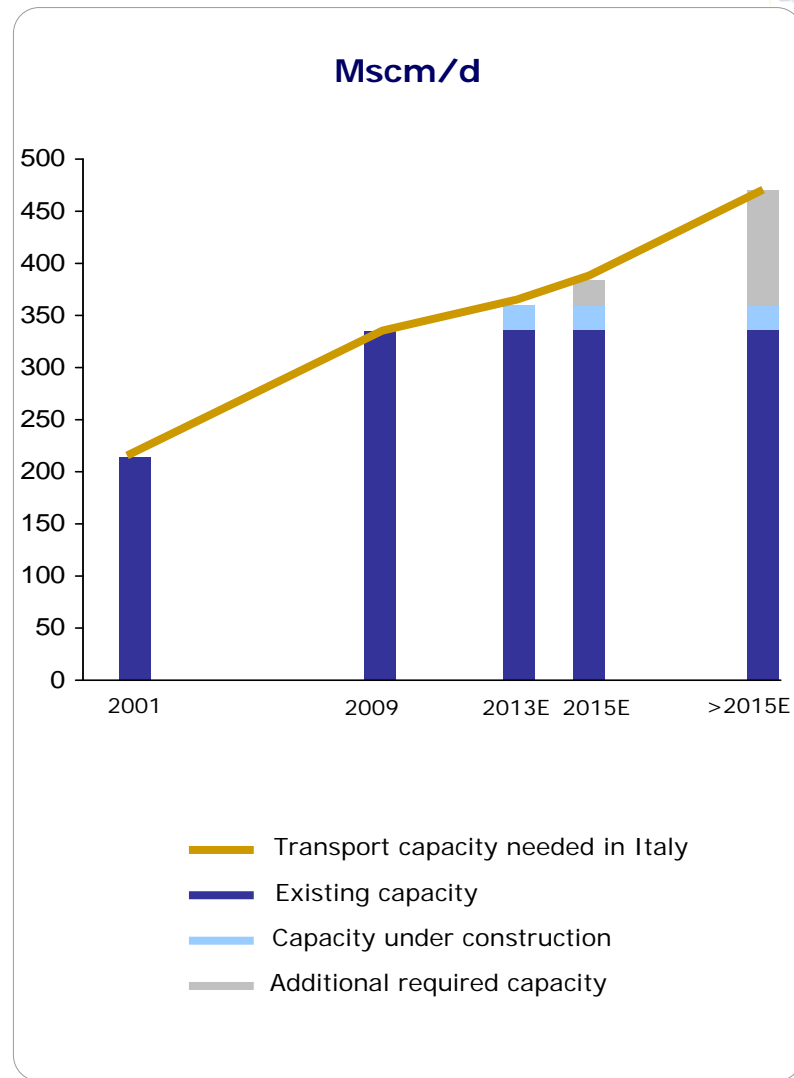
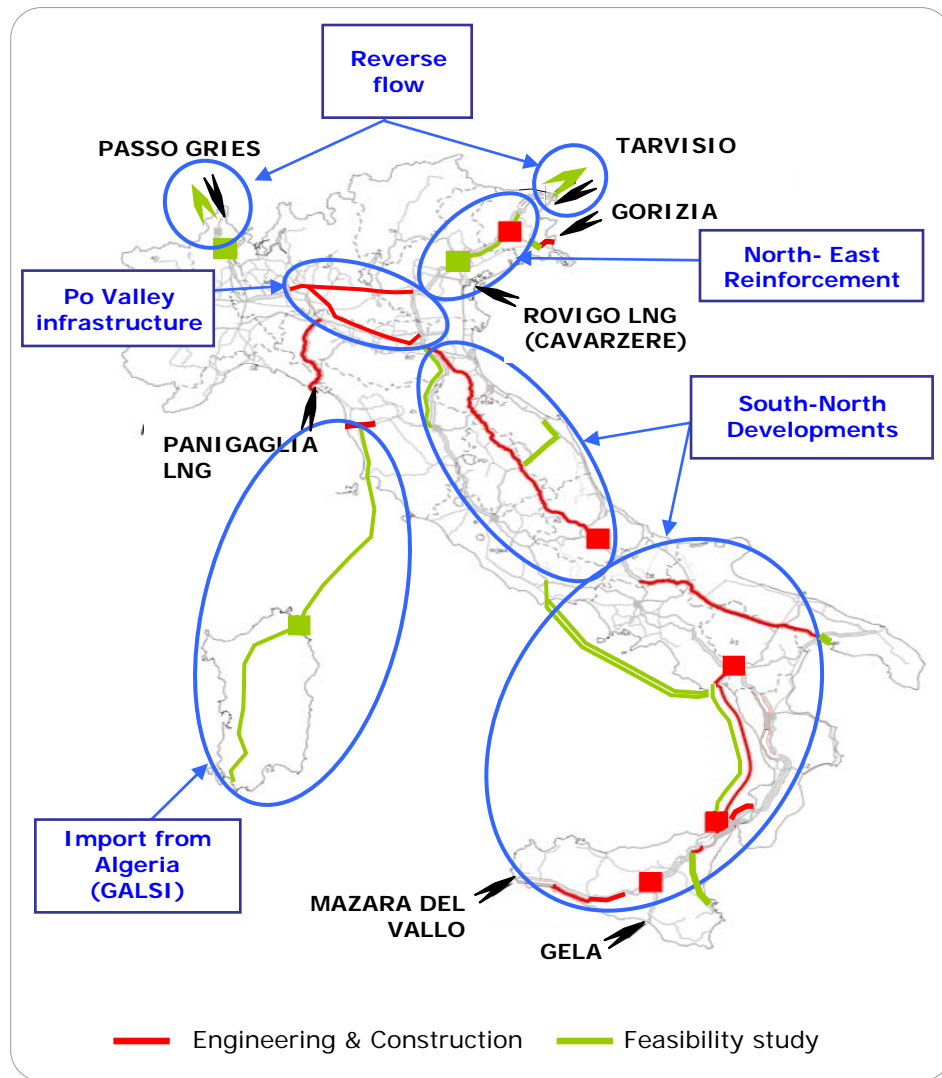
** 2010-2013 RAB evolution calculated assuming annual inflation rate of 2% and on the basis of the current approved regulatory frameworks

Consolidated Capex Plan Details

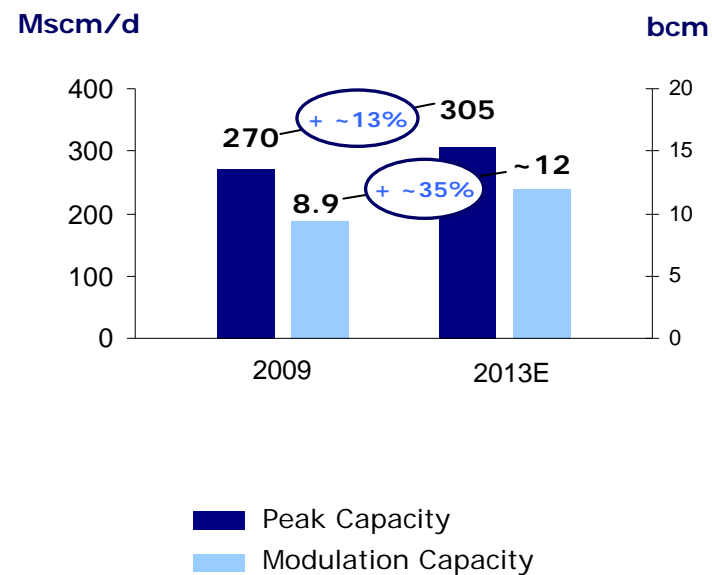


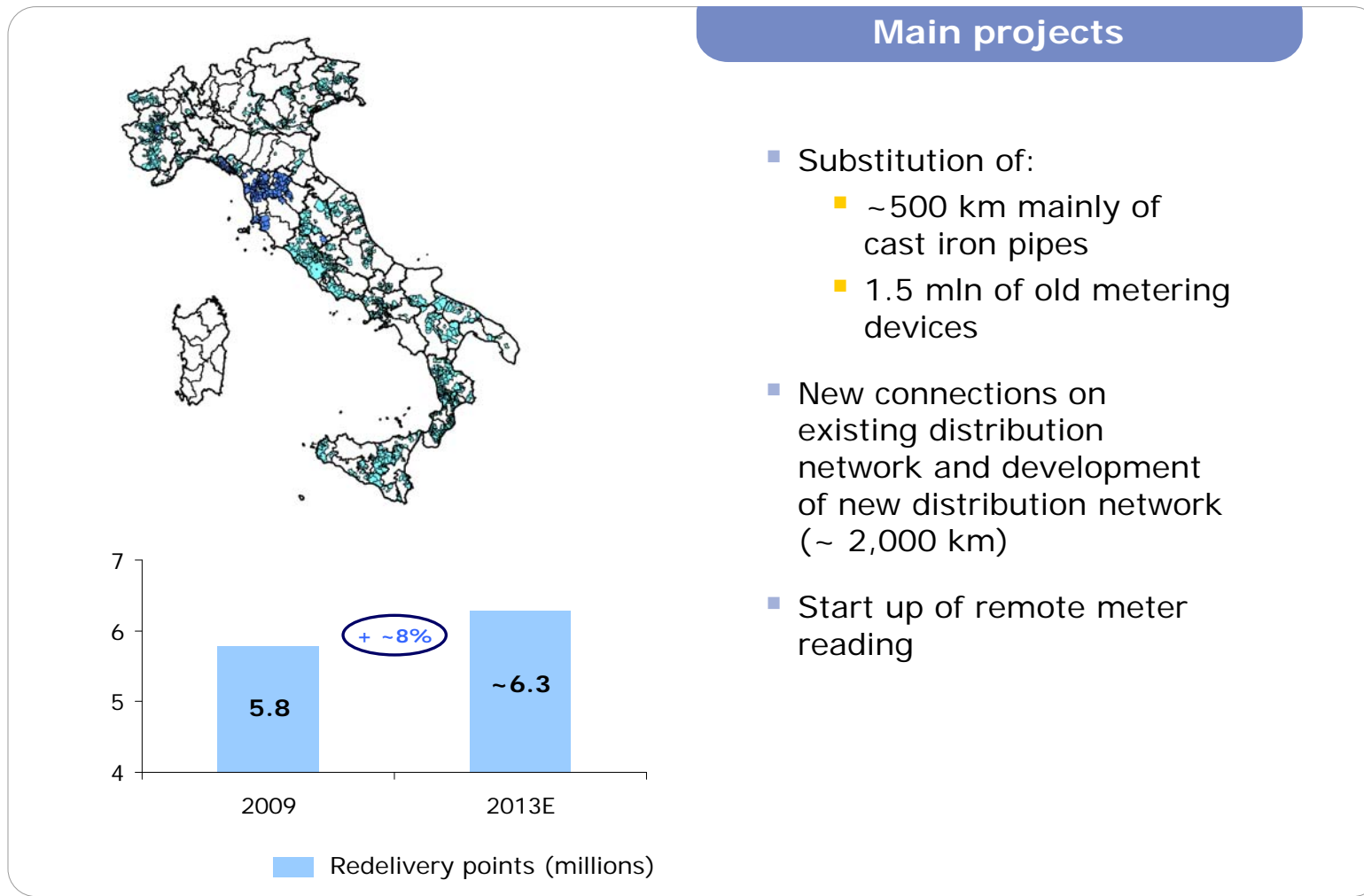
* Net of subsidies

Solid Transport Projects to develop Capacity Requirements



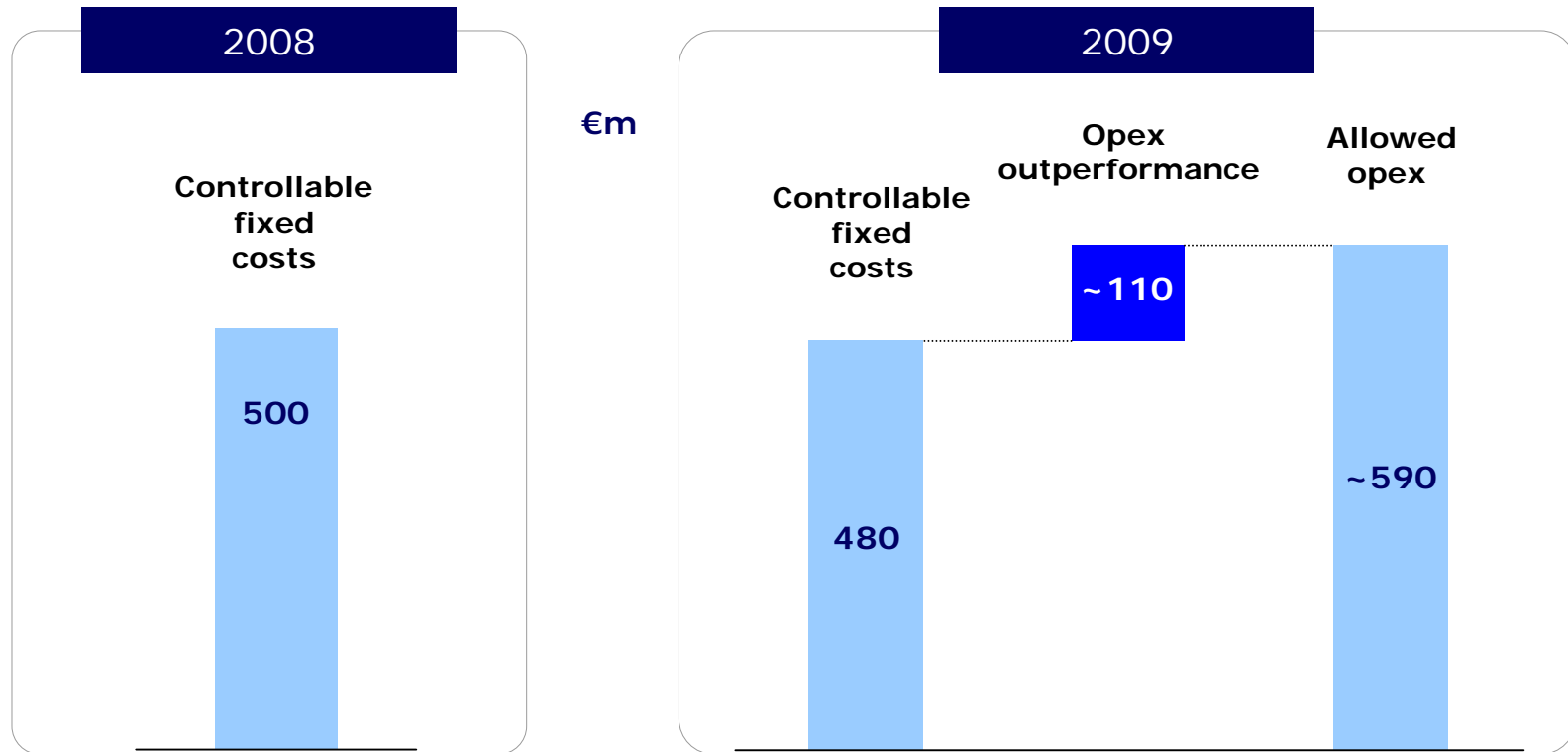
New Storage Capacity to facilitate Gas System Development





- Business Environment
- Capex Plan
- Operational Efficiency**
- Associates & Financial Management
- Final Remarks

Operating Costs: a solid baseline to value creation



Outperformance:

- Fully retained for 3-4 years
- Mainly due to transport and distribution business

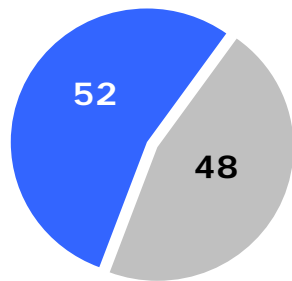
Controllable fixed costs (in real terms)

FY 2008

Total amount*:
€m 500

%

Labour cost

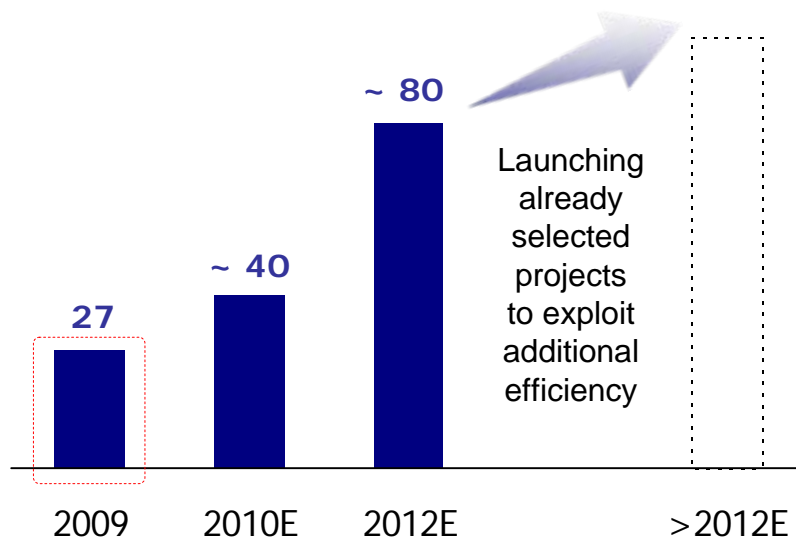


External costs

* Pro-forma figure

Annual Savings*

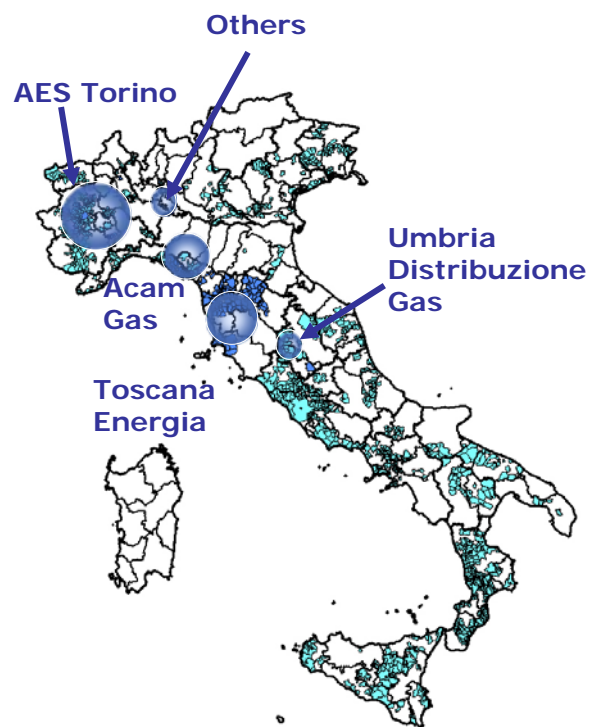
€m



*Based on 2008 controllable fixed costs

- €m 27 of savings in 2009 and well on track to achieve efficiency targets
- Annual savings fully retained up to 2013

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● Size: EBITDA based

Operational Data 2009

- 1.3 million redelivery points
- 147 Local Municipalities served
- 1 District Heating in Turin (AES Torino)

2009 Preliminary Results (pro-quota)

(€m)

	Total	AES Torino	Toscana Energia	Other companies
▪ EBITDA	79	49 (*)	23	7
▪ EBIT	58	38	15	5
▪ NET PROFIT	37	24	10	3
▪ Net Financial Debt	150	100	50	--

(*) of which District Heating EBITDA = €m 26

Solid and Efficient Capital Structure

STRONG BALANCE SHEET

- Confirming leverage targets in the medium/long term

LIMITED EXPOSURE TO INTEREST RATES

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

EFFICIENT CAPITAL STRUCTURE

- Maintaining and strengthening control of our financial efficiency

LIMITED REFINANCING RISK

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

2010-2013 Average

(D/RAB)

~ 50%

2010-2013 Fixed-rate debt

~ 60% of the total

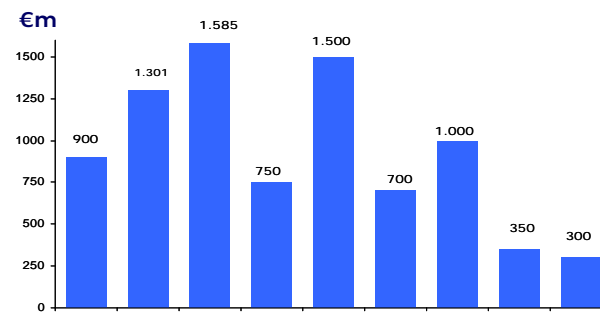
Average duration ~ 3 years

FY09

2010-2013

Average cost of debt 2.9%

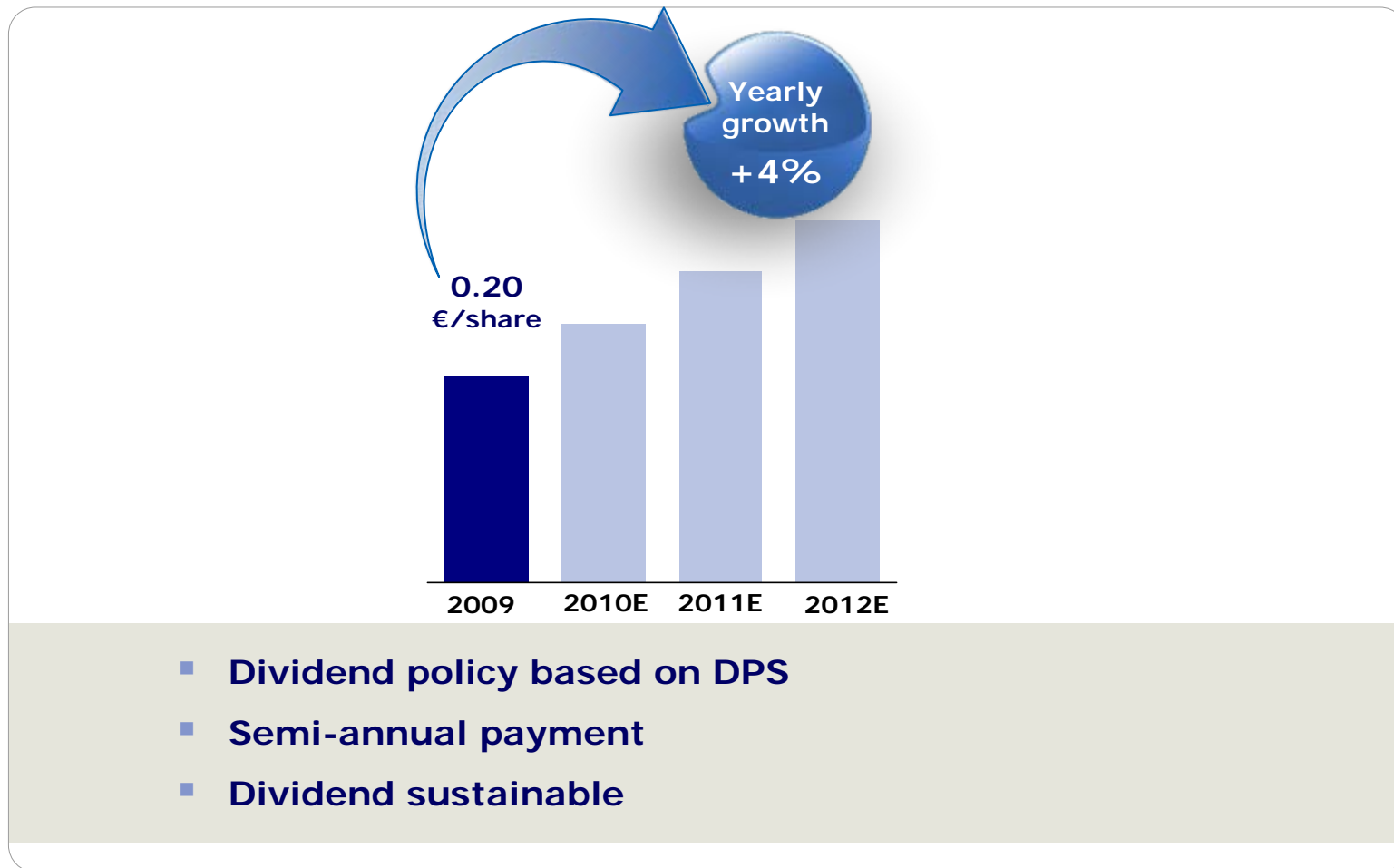
Cost of debt at competitive level



M/L Term Debt Maturity Profile at Dec.2009

- Business environment
- Capex plan
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- Associates & Financial management

Final Remarks



A Clear Strategy to drive Performance and Value Creation

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CAPITAL EXPENDITURE

- € 6.4 bln capex program for 2010 – 2013
- 50% investments financed by cash flow generation
- RAB: estimated 4.5% yearly increase in 2010-2013
- Incentivized RAB from ~20% to ~40% of the total

EFFICIENCY

- Current operational efficiency outperformance: € ~110 mln
- Additional efficiency from integration: € 80 mln in 2012
- Maintaining current financial efficiency

LOW RISK PROFILE

- Fully regulated company with long term visibility
- Solid capital structure

ATTRACTIVE & SUSTAINABLE RETURNS TO SHAREHOLDERS

- DPS FY2009: € 0.20
- DPS 2010-2012: expected +4% yearly increase

CONTINUING TO DELIVER





Q & A Session

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