

snam rete gas



2010 Preliminary Results & Strategy Update

Milan, February 10th, 2011



Snam Rete Gas's Chief Financial Officer, Antonio Paccioretti, in his position as manager responsible for the preparation of financial reports, certifies pursuant to paragraph 2, article 154-bis of the Legislative Decree n. 58/1998, that data and information disclosures herewith set forth correspond to the company's evidence and accounting books and entries.

This presentation contains forward-looking statements regarding future events and the future results of Snam Rete Gas that are based on current expectations, estimates, forecasts, and projections about the industries in which Snam Rete Gas operates and the beliefs and assumptions of the management of Snam Rete Gas.

In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature.

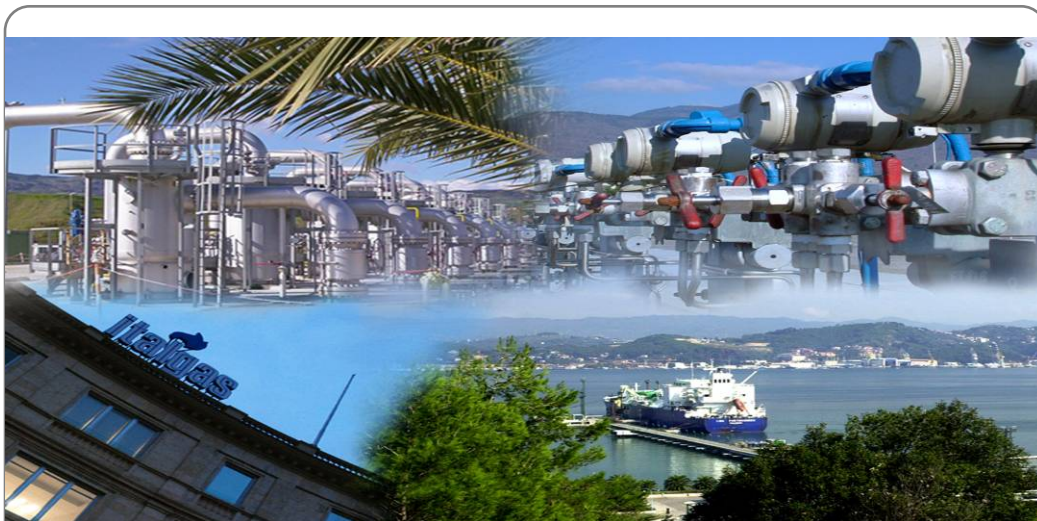
Words such as 'expects', 'anticipates', 'targets', 'goals', 'projects', 'intends', 'plans', 'believes', 'seeks', 'estimates', variations of such words, and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future.

Therefore, Snam Rete Gas's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, political, economic and regulatory developments in Italy and internationally.

Any forward-looking statements made by or on behalf of Snam Rete Gas speak only as of the date they are made. Snam Rete Gas does not undertake to update forward-looking statements to reflect any changes in Snam Rete Gas's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The reader should, however, consult any further disclosures Snam Rete Gas may make in documents it files with the Italian Securities and Exchange Commission and with the Italian Stock Exchange.



2010 Highlights

2010 Preliminary Results

2011-2014 Strategy & Targets

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2010 Highlights

Carlo Malacarne
Chief Executive Officer

2010: Confirming the Combination of Sound Performance & Low Risk Profile

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Strong Results

- **Ebit:** Up **46.2%** vs 2009 reported
Up **17%** vs 2009 combined
- **Net income:** Up **51.1%** vs 2009 reported
Up **19.3%** vs 2009 combined
- **EPS^(*)** € **0.33-** Up **19.3%** vs 2009 combined
- **Operating cash flow** € **1.8 billion**
- **Net debt** € **10.3 billion**



Operational & Financial Efficiency

- **Cost savings:** continuing to outperform
- **Cost of debt:** 2.9%

Storage Regulatory & Legislative Framework

- **3rd Regulatory period:** stable & clear
- **New Ministerial Decree^{**}:** support Stogit strategy

* Calculated on the basis of the outstanding shares, net of treasury shares, at December 31st 2010

** D.Lgs 130/2010: "Measures to increase competition in gas natural market"



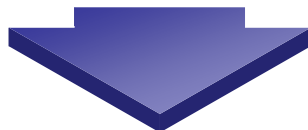
2010 Interim Dividend 0.09 €/share

Paid on October 21st 2010

2010 Final Dividend 0.14 €/share

Payable from May 26th 2011

**+ 15%
vs DPS
2009**



FY 2010 0.23 €/share

YIELD 6.2%*

**Robust shareholder returns in a growing business
DPS sustainable with a top ranking yield**

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2010 Preliminary Results

Antonio Paccioretti
Chief Financial Officer

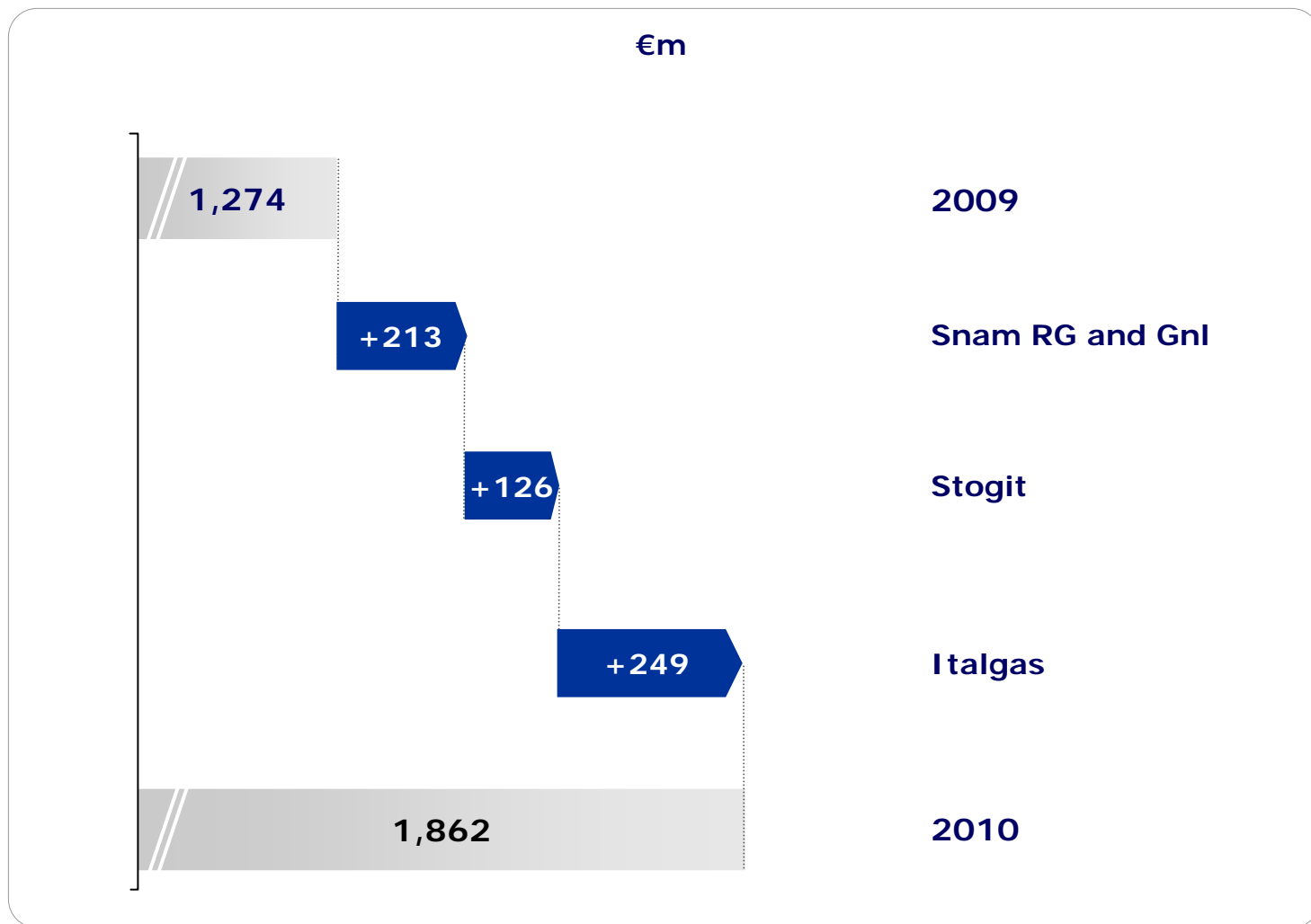
€m			
	2009	2010	Change
Revenues ^(*)	2,468	3,159	+691
Operating expenses ^(*)	-581	-619	-38
EBITDA	1,887	2,540	+653
Depreciation & amortisation	-613	-678	-65
EBIT	1,274	1,862	+588
Net interest income (expenses)	-217	-271	- 54
Net income from associates	22	47	+25
EBT	1,079	1,638	+559
Income taxes	-347	-532	- 185
NET PROFIT	732	1,106	+374

(*) 2010 figures do not include the effect of IFRIC 12.

€m			
	2009	2010	Change
Regulated revenues	2,434	3,116	+682
Transport	1,848	1,873	+25
Revenues	1,793	1,803	+10
Pass-through revenues	55	70	+15
LNG	21	24	+3
Storage	158	349	+191
Distribution	407	870	+463
Other revenues	45	66	+21
Consolidation adj. (modulation services)	-11	-23	-12
TOTAL REVENUES	2,468	3,159	+691

Operating Expenses

€m			
	2009	2010	Change
Regulated activities	567	593	+26
Controllable fixed costs	352	465	+113
Variable costs	117	19	-98
Other	98	109	+11
Non regulated activities	14	26	+12
TOTAL COSTS	581	619	+38
	2009	2010	Change
Transport and LNG	407	290	-117
Storage	38	63	+25
Distribution	147	289	+142
Consolidation adj. (modulation services)	-11	-23	-12
TOTAL COSTS	581	619	+38



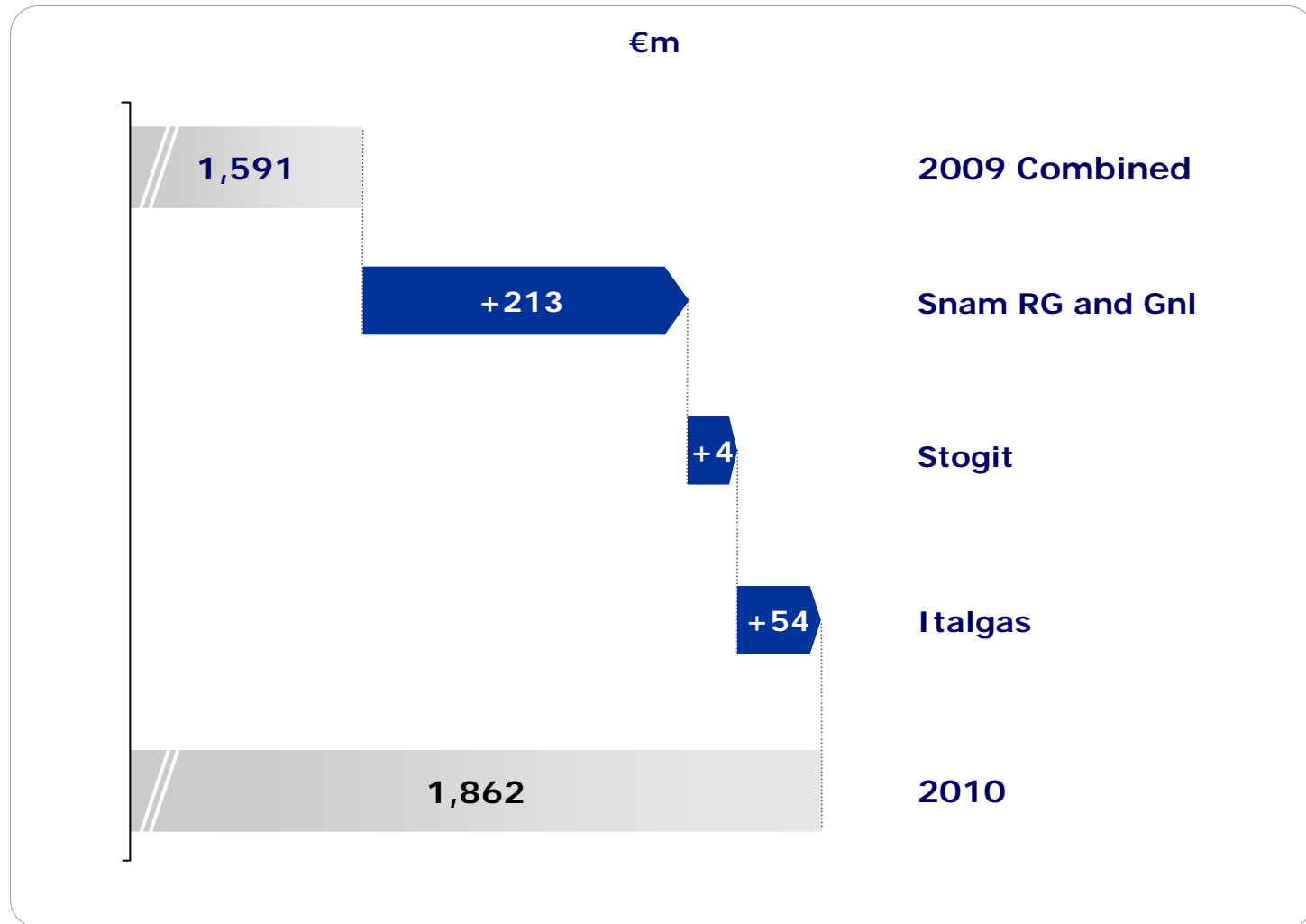
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€m				
	2009	2010	Δ%	
Storage	Revenues	348	357	+2.6%
	<i>of which: regulated</i>	341	349	+2.3%
	<i>other revenues</i>	7	8	+14.3%
	Operating costs	64	63	-1.6%
	EBIT	214	218	+1.9%
Distribution		2009	2010	Δ%
	Revenues	834	914	+9.6%
	<i>of which: regulated</i>	798	870	+9.0%
	<i>other revenues</i>	36	44	+22.2%
	Operating costs	291	291	-
EBIT ^(*)	398	455	+14.3%	

(*) 2010 EBIT before consolidation adjustment of 3 million euro.

EBIT Analysis 2010 vs 2009 Combined



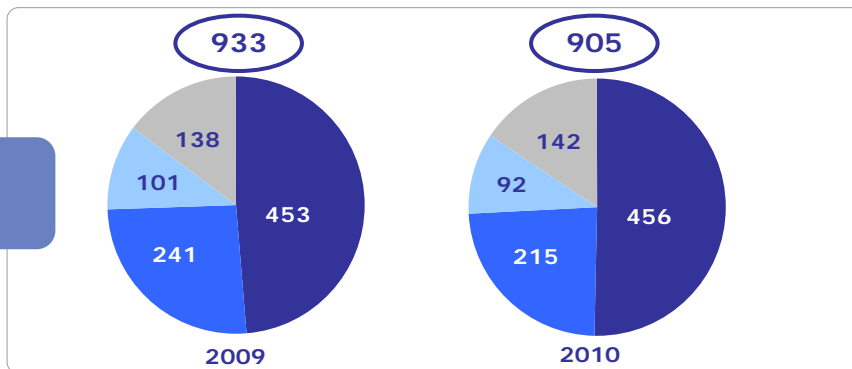
€m			
	Dec, 31 2009	Dec, 31 2010	Change
Net Invested Capital	15,652	16,257	+605
Fixed assets	17,077	17,678	+601
Tangible fixed assets	12,694	13,097	+403
Intangible fixed assets	4,082	4,262	+180
Equity-accounted and other investments	301	319	+18
Net working capital	- 1,332	- 1,331	+1
Receivables	1,315	1,334	+19
Liabilities	- 2,647	- 2,665	- 18
Staff benefits provision	- 107	- 105	+2
Assets held for sale	14	15	+1
Net financial debt	9,949	10,341	+392
Shareholders' equity	5,703	5,916	+213

Capital Expenditure (*)



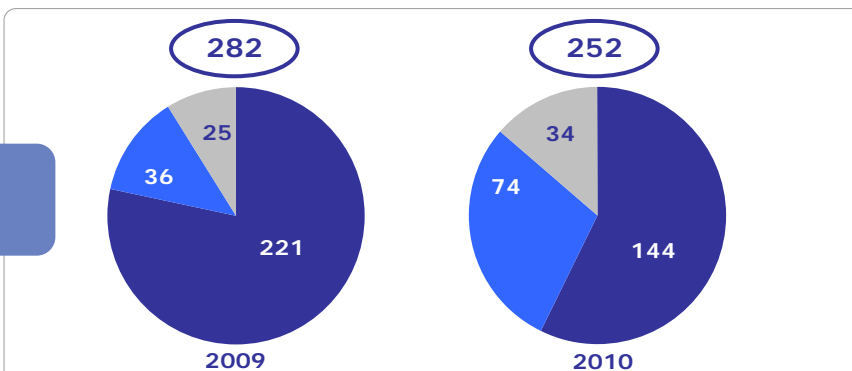
€m

Transport and LNG



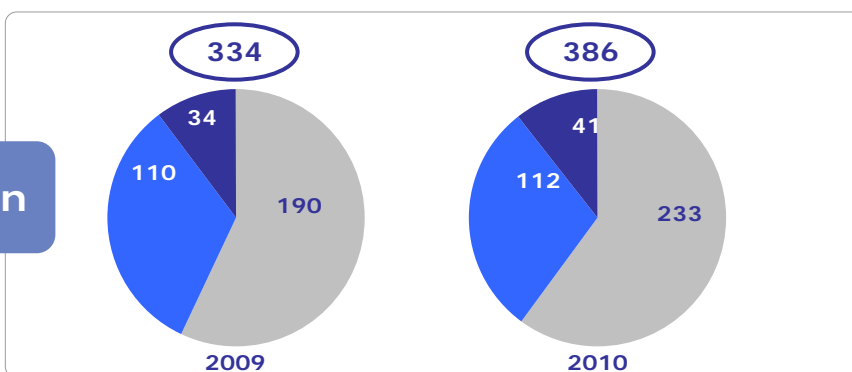
- ### Incentive scheme
- Expansion & new entry points
3% premium for 10 – 15 yrs
 - Regional & national develop.
2% premium for 7 – 10 yrs
 - Safety
1% premium for 5 yrs
 - Maintenance
Base return: 6.4%

Storage



- ### 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



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



* Full year basis and gross of subsidies

Snam Rete Gas Debt Structure



€m

31/12/2009

31/12/2010

Total Gross Debt: 9,986 €m

Total Gross Debt: 10,350 €m

Deposit: 37 €m

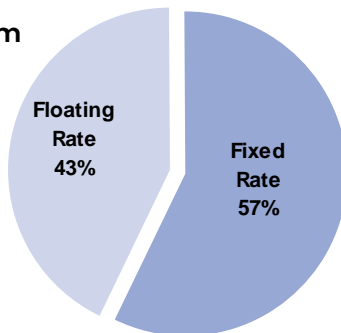
Deposit: 9 €m

Total Net Debt: 9,949 €m

Total Net Debt: 10,341 €m

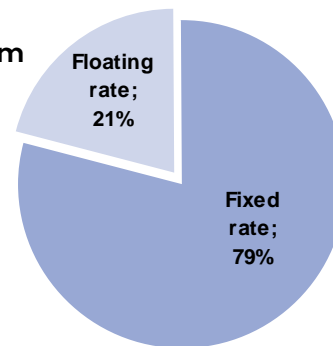
Structure by rate

4,270 €m



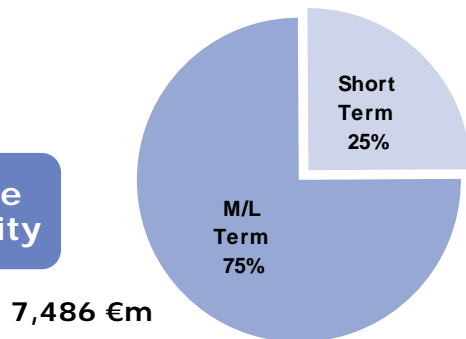
5,716 €m

2,144 €m



8,206 €m

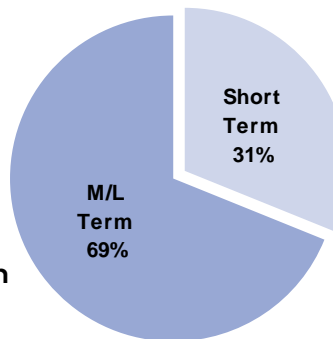
Structure by maturity



2,500 €m

7,486 €m

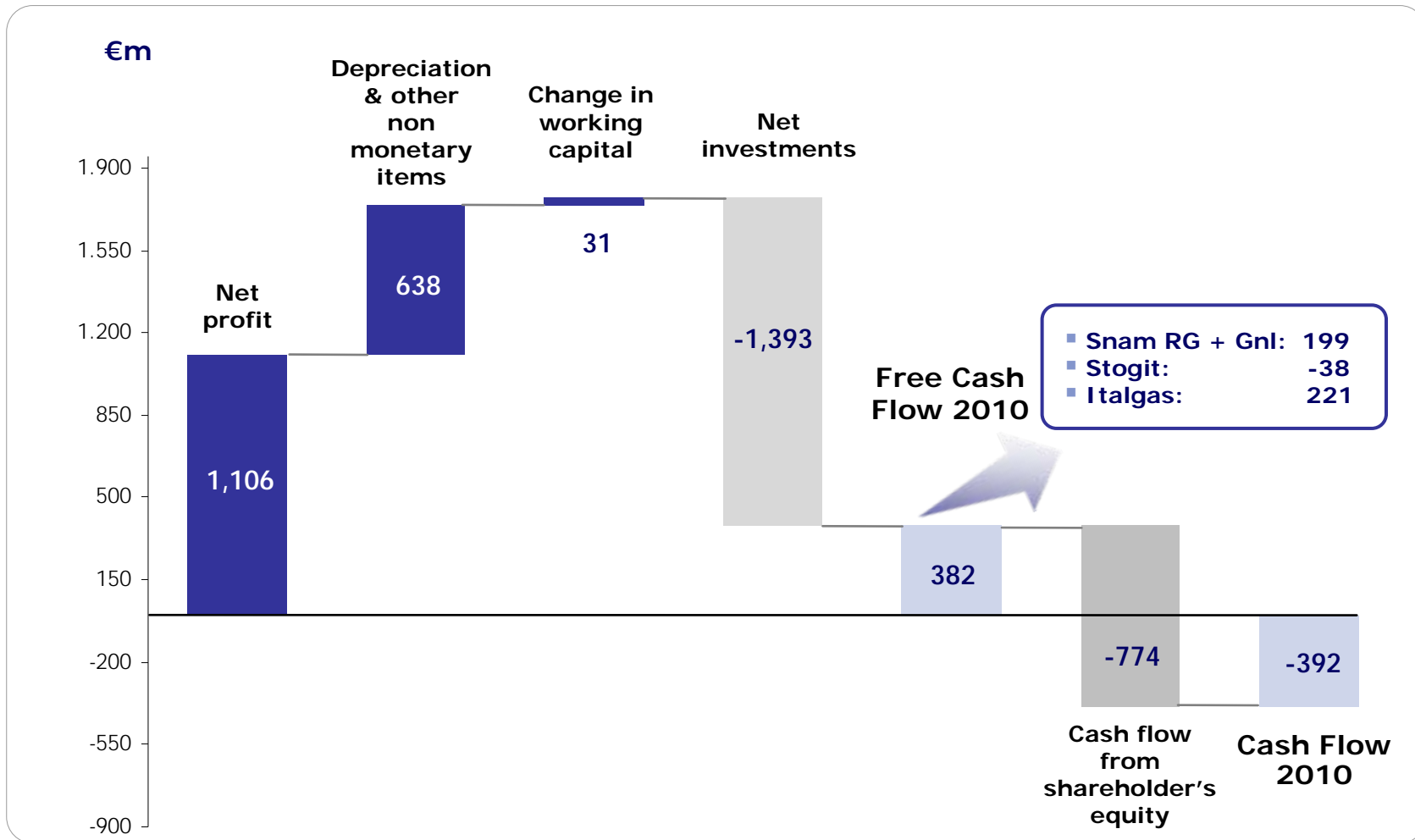
Average Maturity M/L 4.4 years



3,164 €m

7,186 €m

Average Maturity M/L 4.2 years



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2011-2014 Strategy & Targets

Remain Focused to shape the Future

Carlo Malacarne

Chief Executive Officer

PRESERVING LOW RISK PROFILE

CAPEX EXECUTION

Driving profitable long term growth

EFFICIENCY

Exploit value through operational synergies and efficient cost of capital

SHAREHOLDER RETURNS

Attractive and sustainable return policy



**TO DRIVE EQUITY RAB GROWTH
AND FURTHER VALUE CREATION**



- Business Environment
- Capex Plan
- Evaluating Distribution Activity
- Operational and Financial Efficiency
- Final Remarks



Business Environment



Capex Plan



Evaluating Distribution Activity



Operational and Financial Efficiency



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"> 6.7% 	<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 	<ul style="list-style-type: none"> 3.2% on distribution opex 3.6% on metering opex 	<ul style="list-style-type: none"> 0.6% on opex 	<ul style="list-style-type: none"> 0.5% on opex
GAS DEMAND	<ul style="list-style-type: none"> 15% revenues commodity linked 	<ul style="list-style-type: none"> No exposure 	<ul style="list-style-type: none"> No exposure 	<ul style="list-style-type: none"> 10% revenues commodity linked
EXPIRY	<ul style="list-style-type: none"> December 2013 	<ul style="list-style-type: none"> December 2012 	<ul style="list-style-type: none"> December 2014 	<ul style="list-style-type: none"> September 2012

CONFIRMING LOW RISK PROFILE

Impact of the New Ministerial Decree* on the Storage Business

New Infrastructure

- New storage capacity requirements of 4 bcm in 5 years
- Development plan proposed by the storage operator and shared with the Ministry (MSE)

New Services

- Open access to industrial and power generation customers with long-term storage contracts
- Higher flexibility for the market

Regulated regime

- Revenues, tariffs and return on new investments subject to the current regulatory framework

REINFORCE STOGIT INVESTMENT STRATEGY

KEY DRIVERS	MAIN ITEMS
CONSOLIDATION	<ul style="list-style-type: none">▪ 177 concession areas (from current ~ 6,700)▪ Concession areas corresponding approximately to Provinces and main municipalities
TRANSPARENCY AND COMPETITION	<ul style="list-style-type: none">▪ Assets owned by operators (transferred to the new operator with the payment of redemption value at the end of concession)▪ Redemption value: replacement value of the assets (net of depreciation); in case of litigation the provisional value is at least equal to RAB▪ Tender standard criteria: economic conditions, security and quality of the service, investment plan▪ Timetable for the completion of the tender process: around 4 years
SECURITY AND OPERATIONAL CONTINUITY	<ul style="list-style-type: none">▪ Criteria to preserve quality and security of the service (workforce management)▪ Industrial and operational requirements to participate in the tender
PROVIDE OPPORTUNITIES TO FURTHER CONSOLIDATE ITALGAS LEADING POSITION	

Network unbundling

- The Ownership Unbundling (OU)
- Independent System Operator (ISO)
- Independent Transmission Operator (ITO)

Security of supply

- Diversification of supply sources
- Reverse flows
- Interconnections among national networks

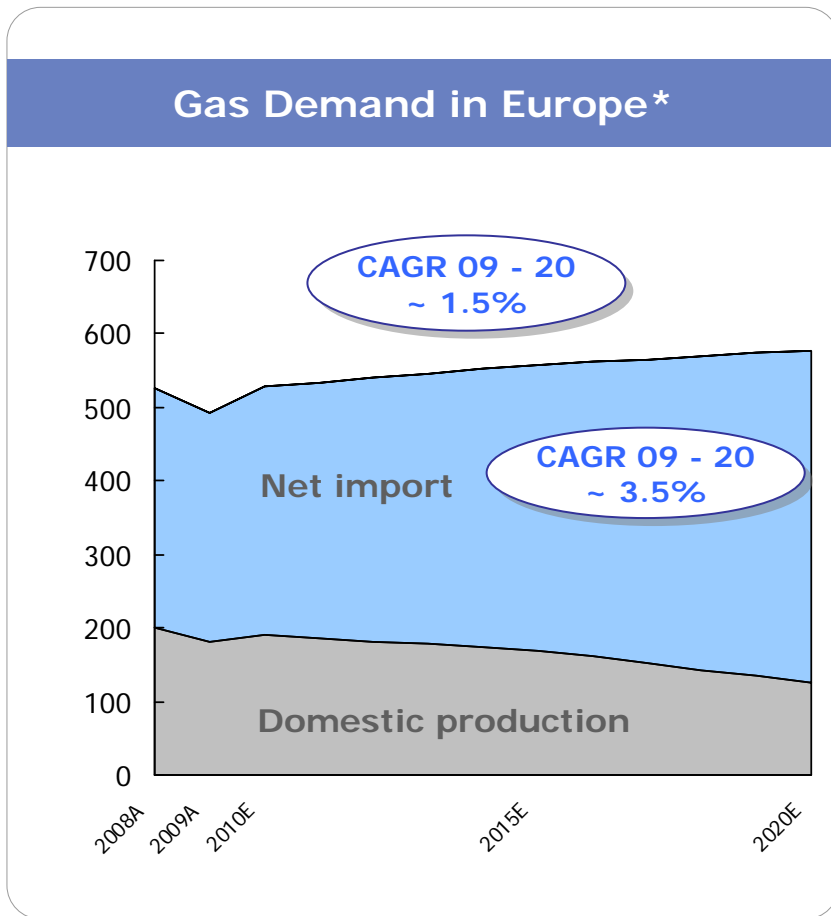
Gas Hubs

- Gas exchange developments
- Market based balancing regime
- National markets integration

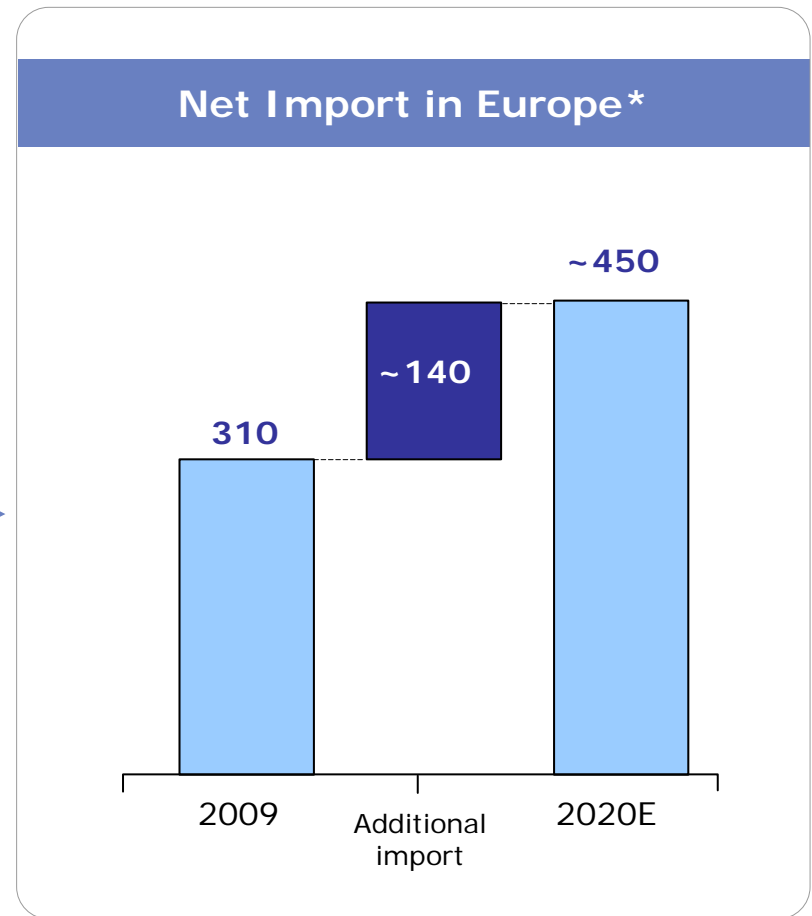
European network

- Coordinated development of infrastructure
- Harmonization of access rules (network codes)
- Perspectives for the creation of a European network

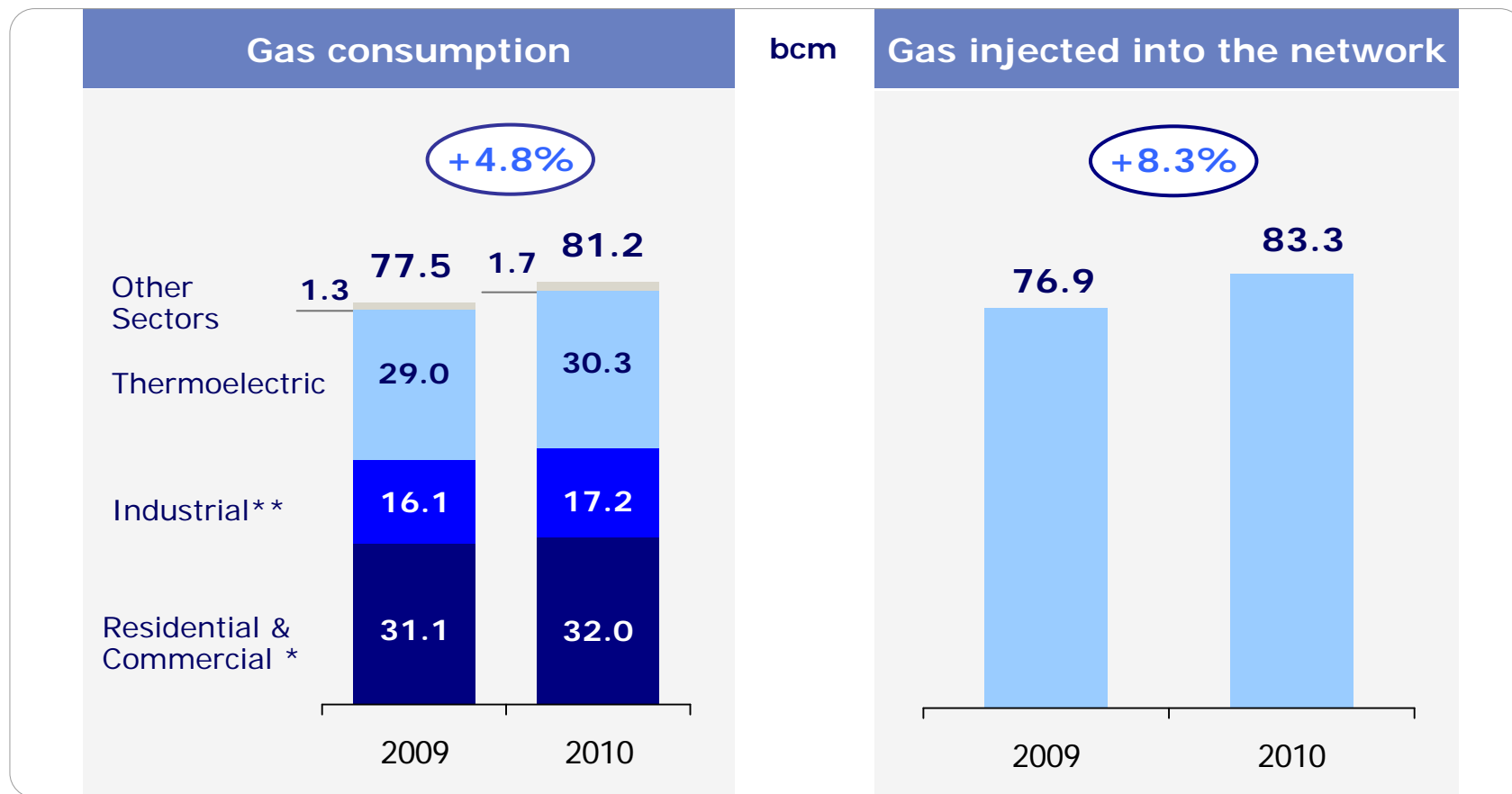
NEW OPPORTUNITIES CONSISTENT WITH SNAM GROWING STRATEGY



bcm

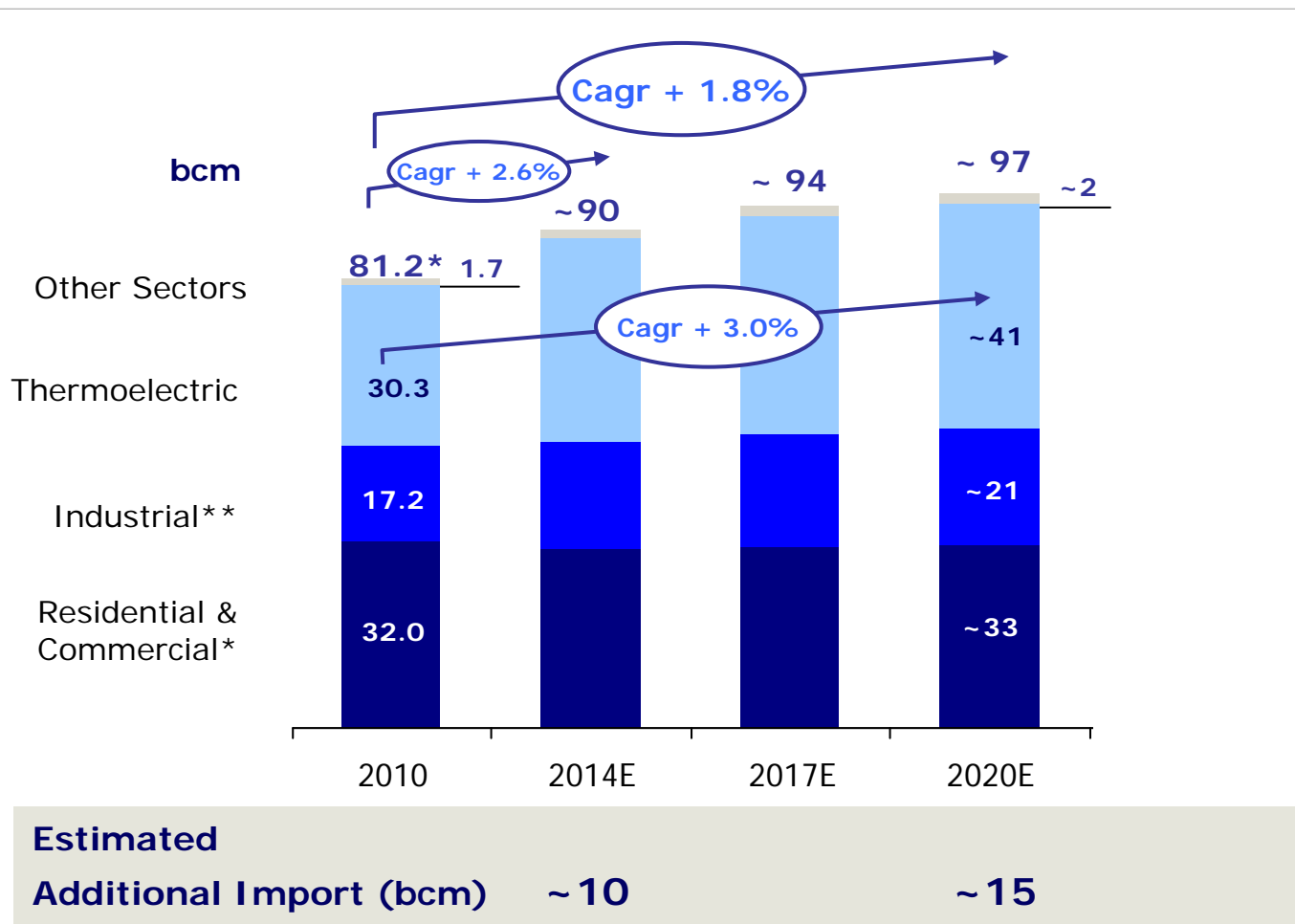


* Countries: EU 27
Source: Eurogas Statistical Report Survey, December 2010



* Weather adjusted

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



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

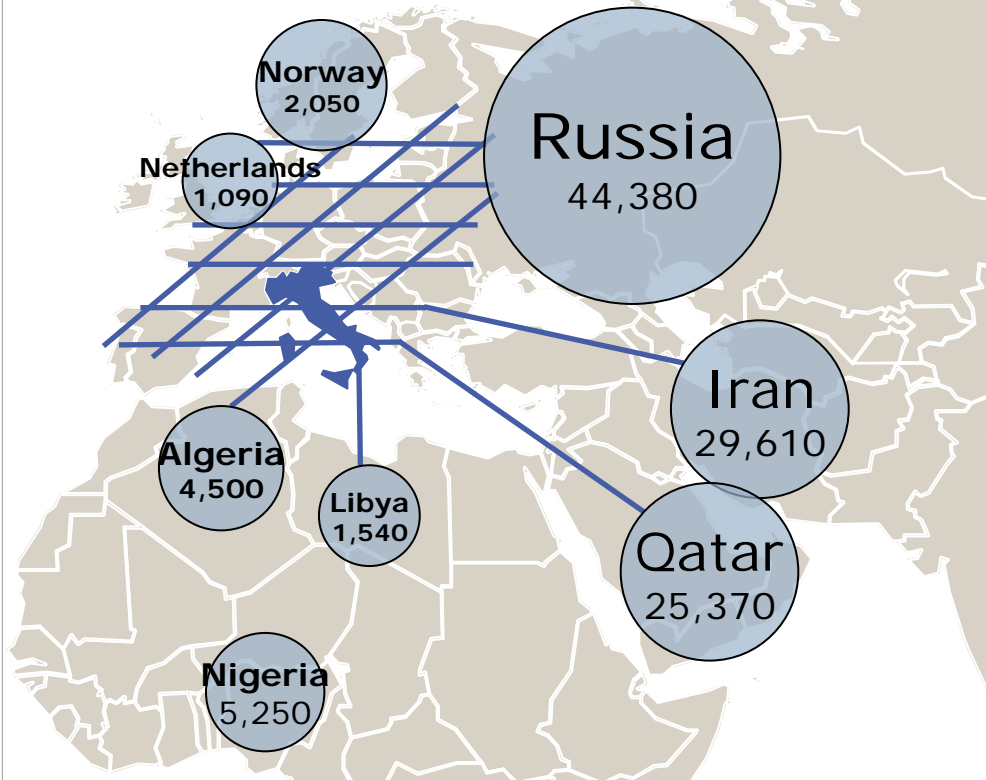
Source: Italian Ministry of Economic Development and SRG estimates



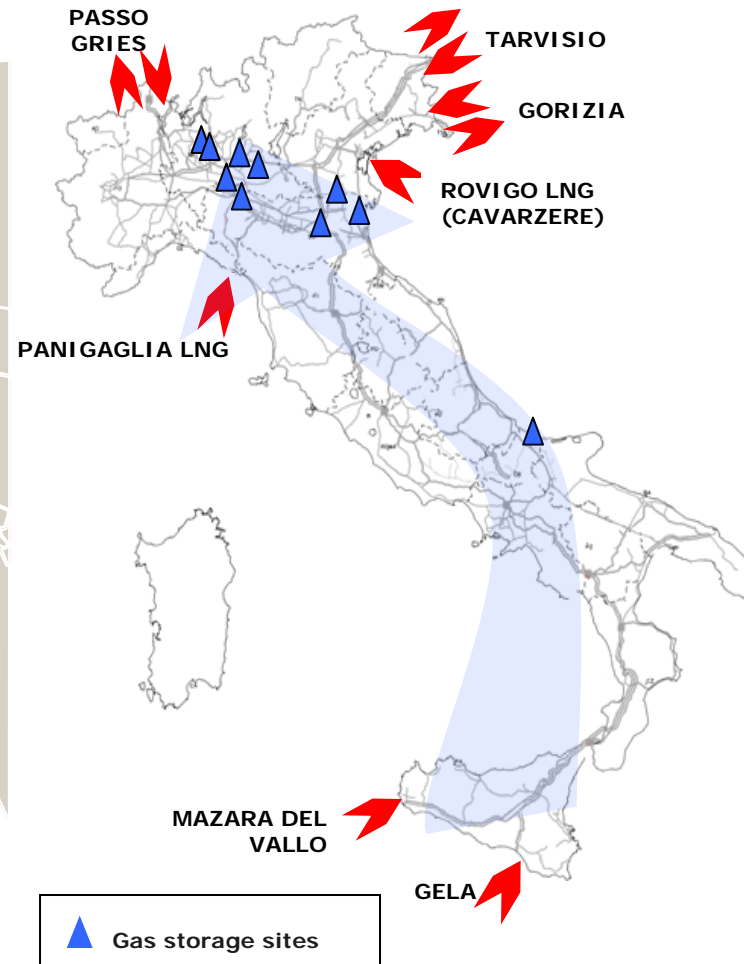


Main Gas Reserves supplying Europe

(bcm)



Source: BP Statistical Review of World Energy, June 2010



Investment Priorities to increase Gas System Liquidity



Strengthen security and flexibility to support gas demand growth and service quality

Facilitate gas swap among different supply sources

Create conditions for developing a Southern European gas hub

Focus areas going forward

Transport & LNG

- Selected projects to meet capacity requirements
- Development of reverse flow capacity to favour gas transit to European markets
- Facilitate interconnections among national networks

Storage

- Increasing capacity for modulation services and peak demand control
- Optimize balancing of the system
- Set the basis for the development of swap opportunities in European markets



Business Environment



Capex Plan



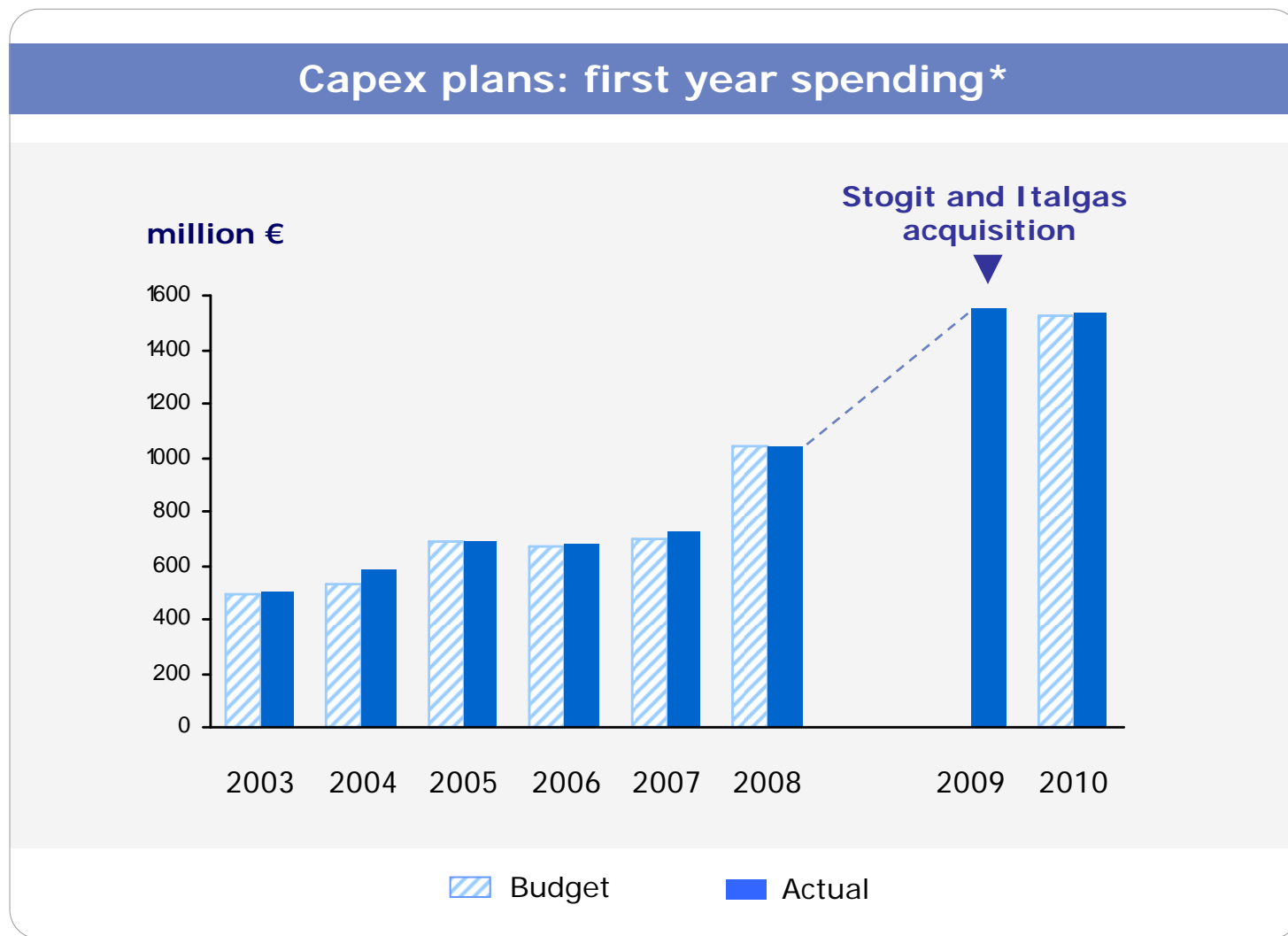
Evaluating Distribution Activity



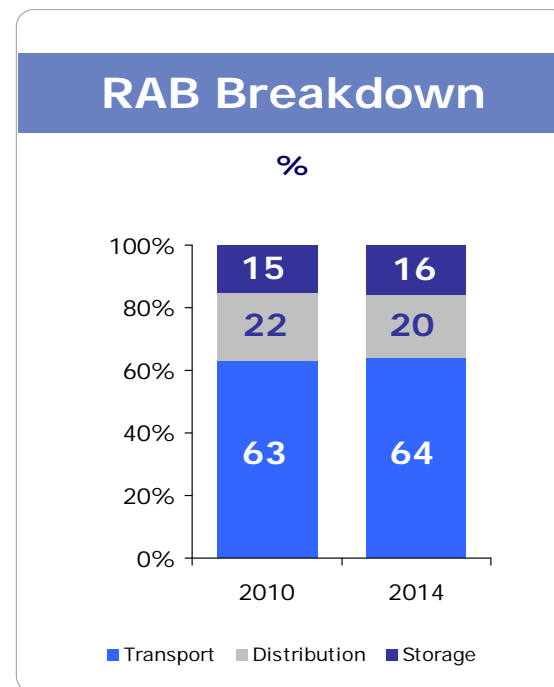
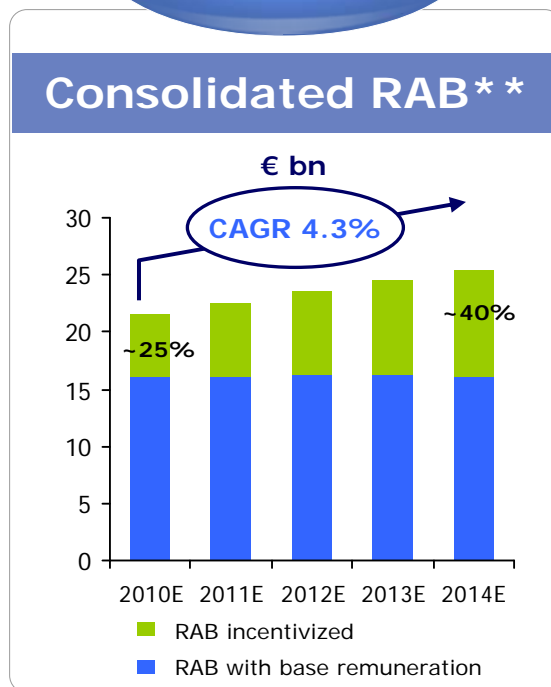
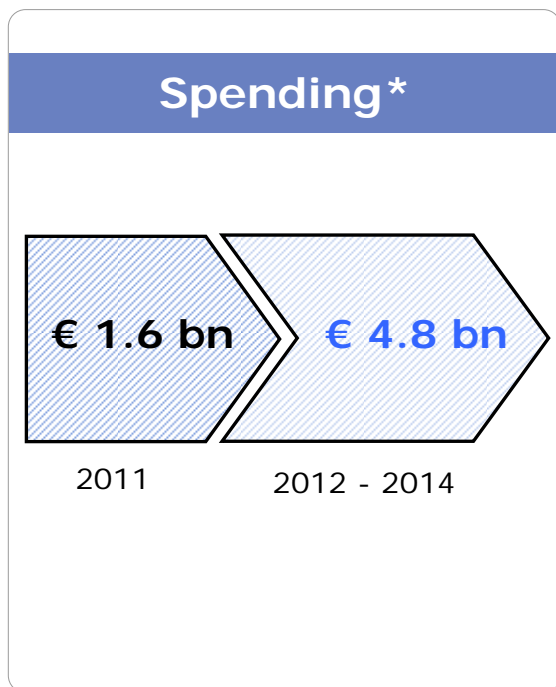
Operational and Financial Efficiency



Final Remarks



€6.4 billion

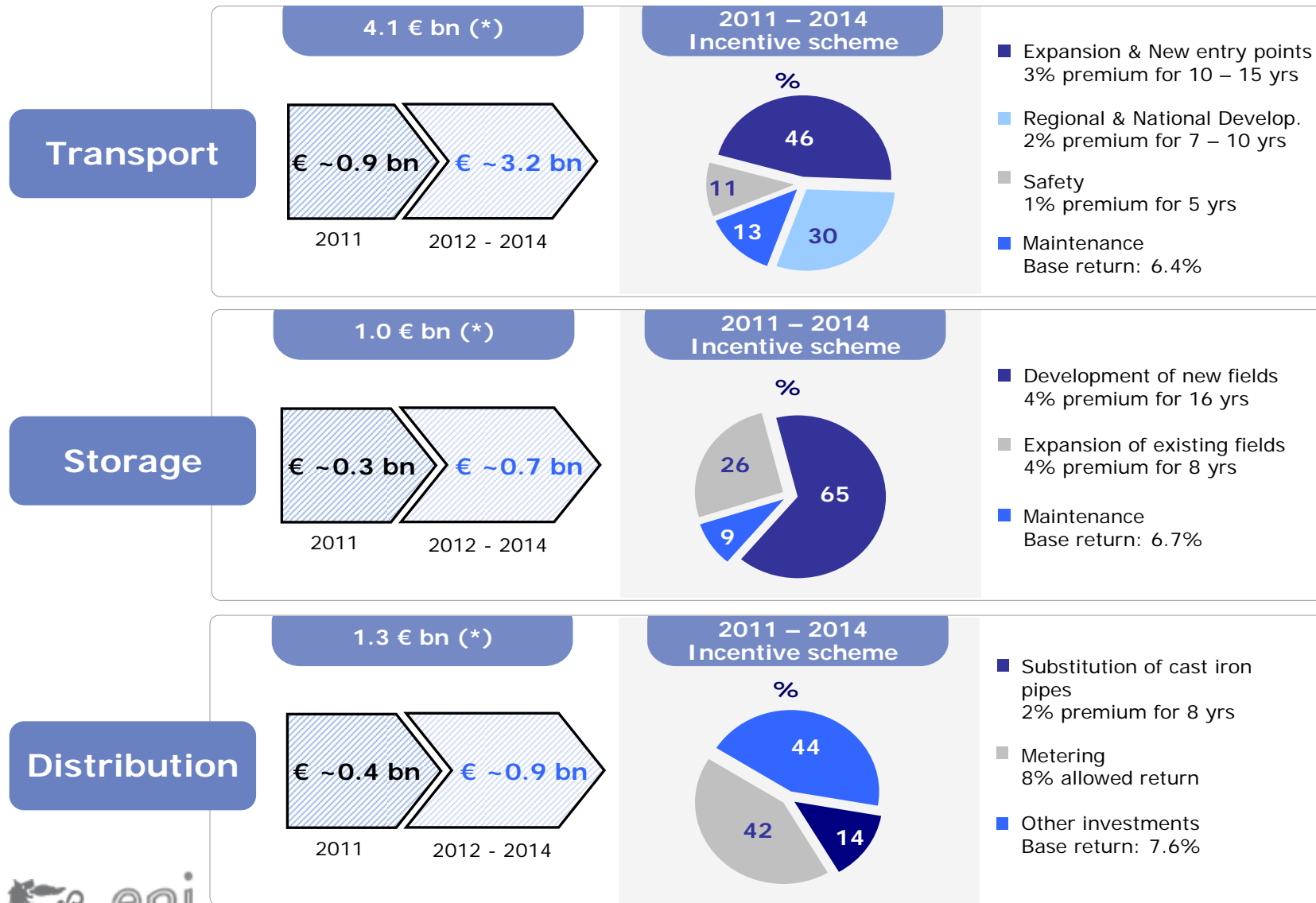


Strong programme to fuel profitable growth in our asset base

* Net of subsidies

** 2011-2014 RAB evolution calculated assuming annual inflation rate of 2% and on the basis of the current approved regulatory frameworks

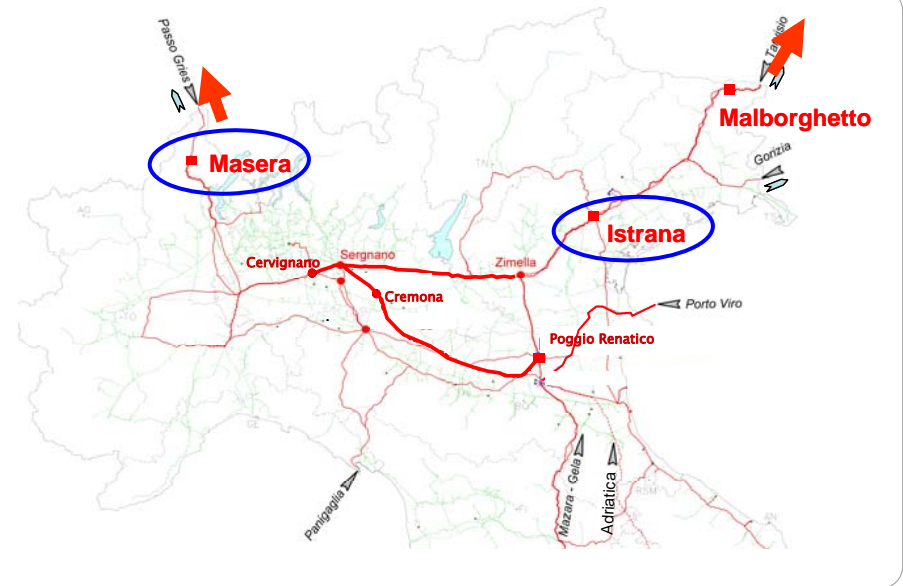
Consolidated Capex Plan Details



* Net of subsidies

Main Transport Projects: reverse flow

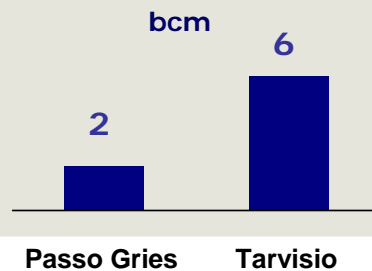
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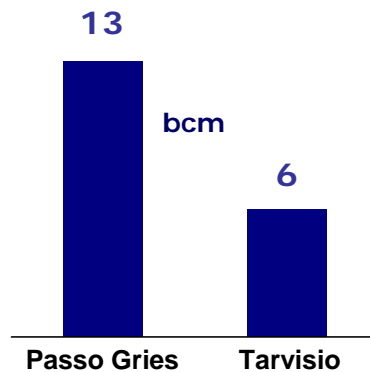
Main Projects

- Po Valley Infrastructure
- Empowerment of Istrana and Masera compressor stations
- Metering point in Masera

In operation by 2014



Expected export capacity beyond 2014



Main Transport Projects: South–North developments and Livorno LNG

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South-North Developments

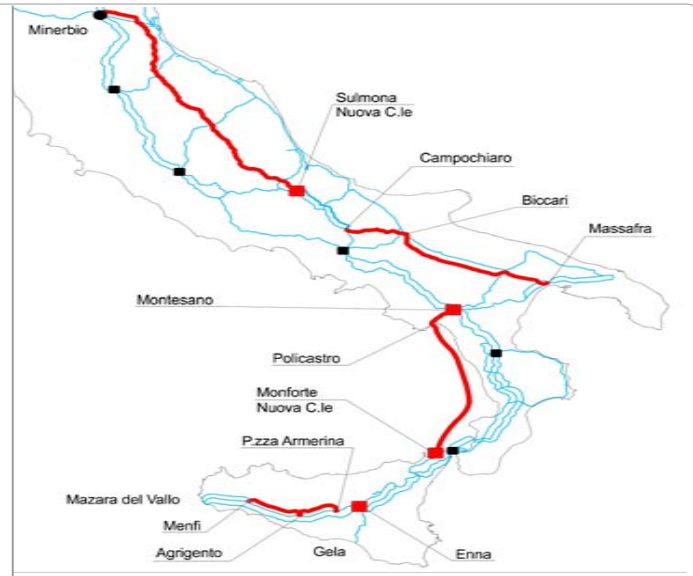
Planned project:

- Length: ~1,150 km
- Installed power capacity: ~170 MW

Capacity at entry points from South



+26.4 Mscm/d



Livorno OLT LNG Terminal

Planned project:

- Length: 37 km

Capacity at Livorno entry point:

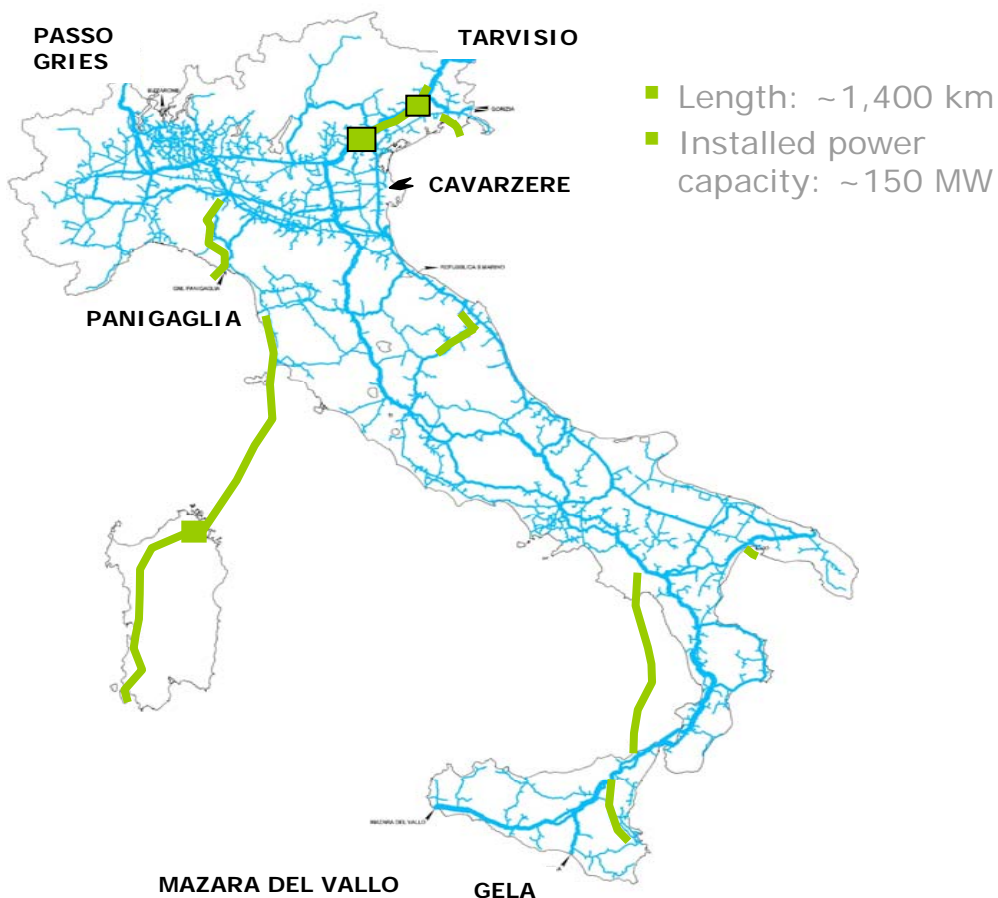


+15 Mscm/d



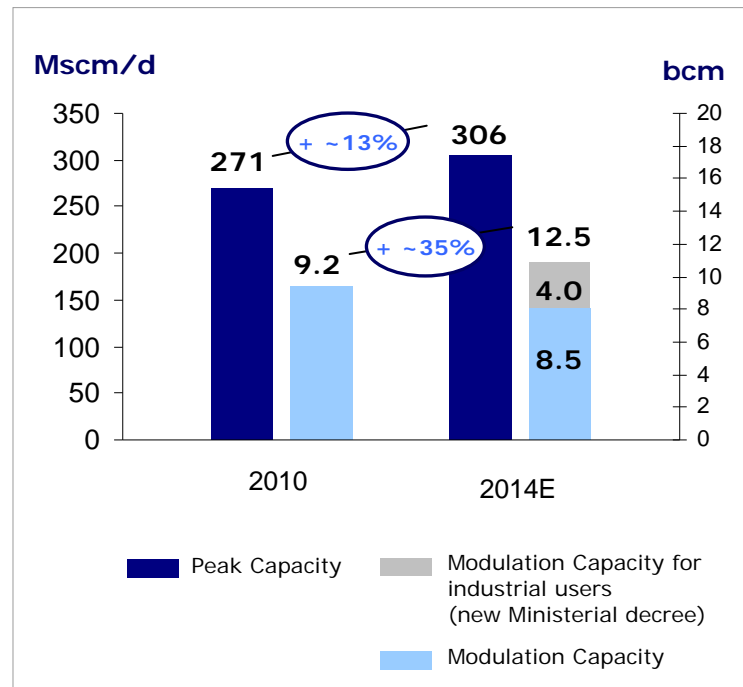


KEY PROJECTS IN FEASIBILITY STUDY



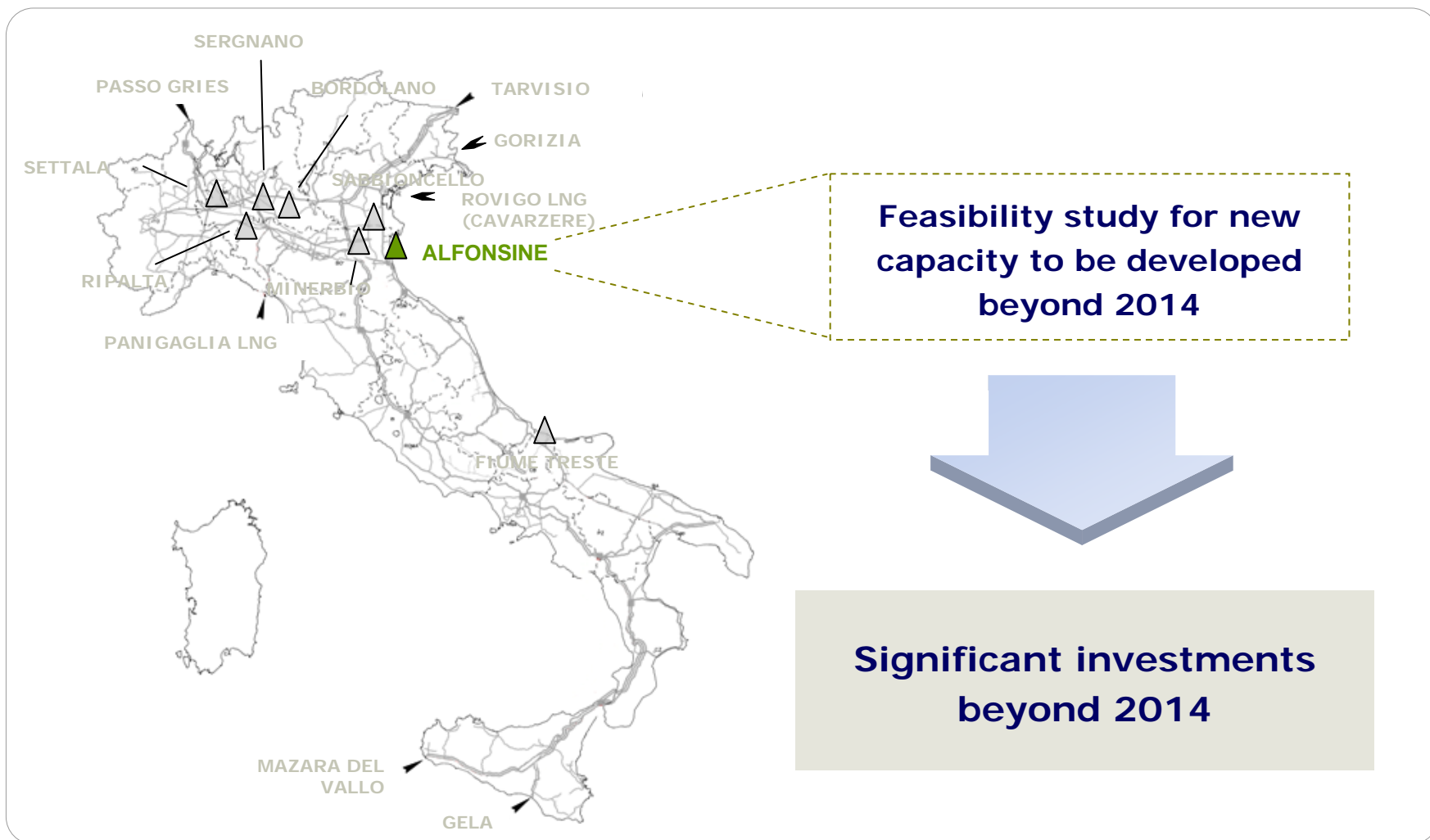
To fuel significant capex beyond 2014

New Storage Capacity to facilitate Gas System Development



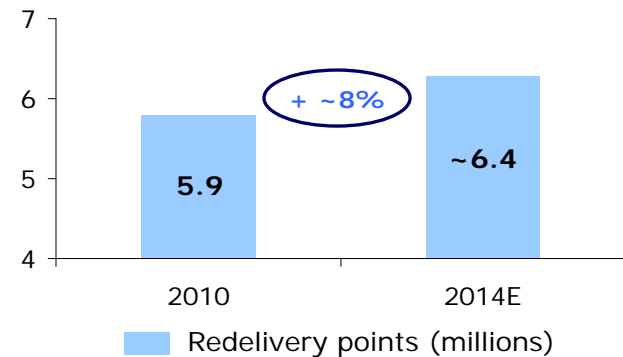
2011 – 2014 capex plan consistent with the new ministerial decree

New Storage Capacity to facilitate Gas System Development



Main projects

- Replacement of:
 - ~ 700 km mainly of cast iron pipes
 - ~ 1 mln of meters
- New connections (~ 2,000 km) on existing distribution network and development of new distribution network
- **Start up of smart metering project:**
 - ~ 1.3 million smart meters
 - IT systems development to support smart metering process





Business Environment



Capex Plan



Evaluating Distribution Activity



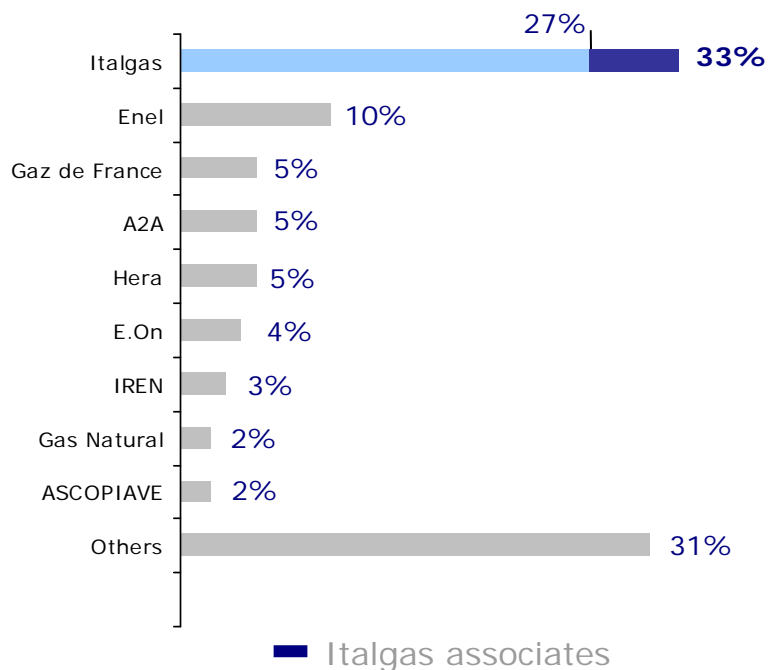
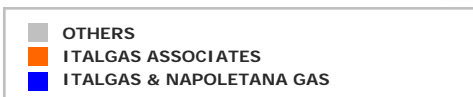
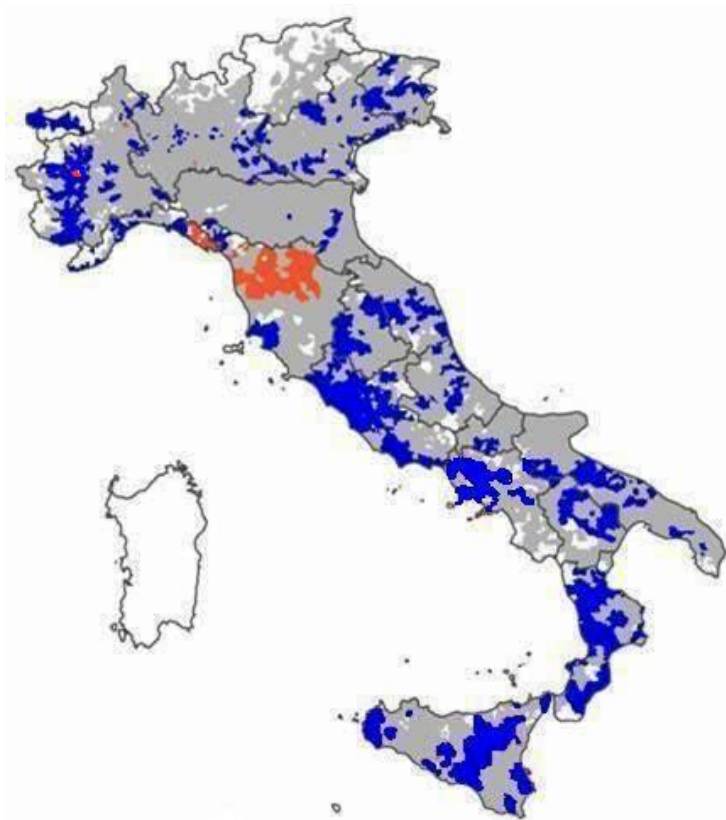
Operational and Financial Efficiency



Final Remarks

Italgas: the leader in the Italian market*

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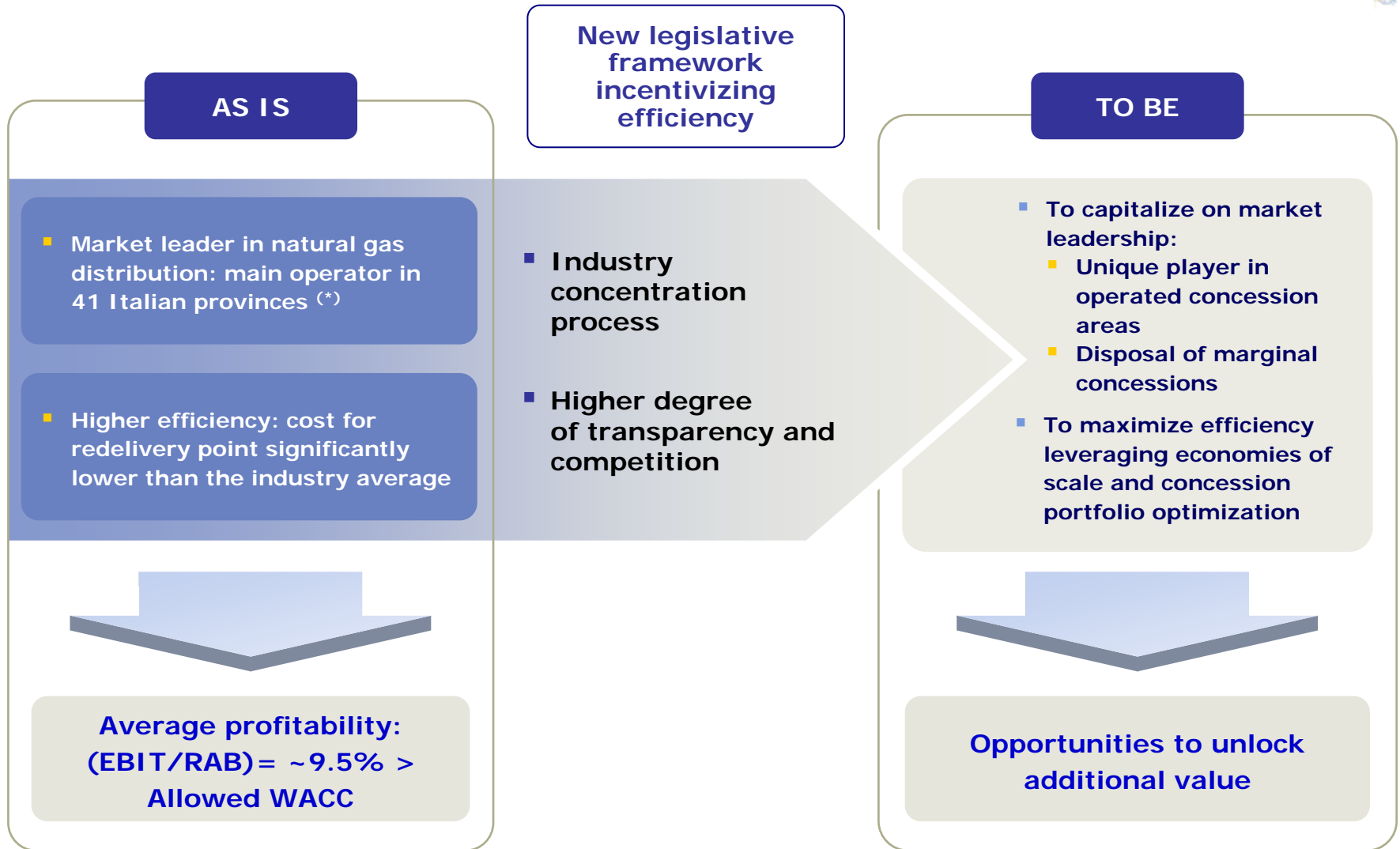


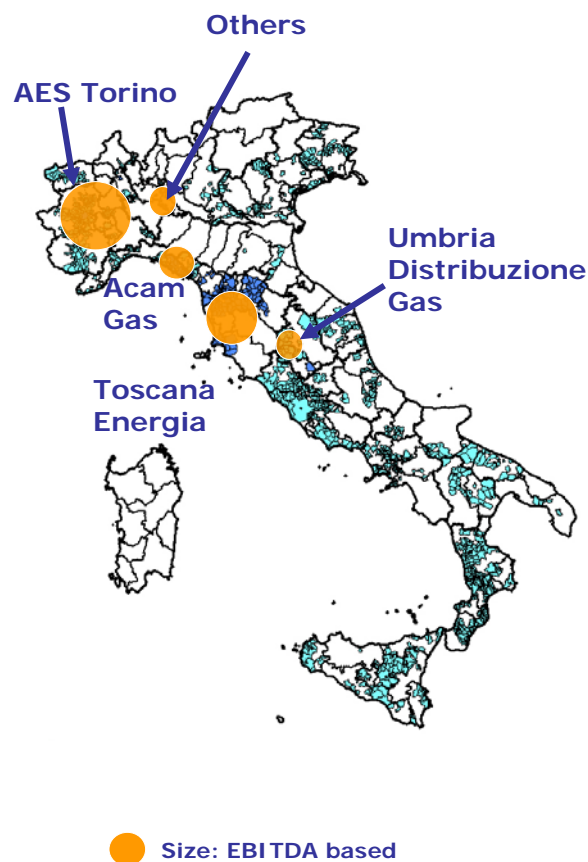
- 1/3 of the distribution market in Italy
- > 7 mln consumers
- 1st operator in 13 regions on 19 served
- 1st operator in 41 provinces

All data are calculated with associates considered at 100%



(*) Calculated on the basis of consumers connected to distribution grids





Operational Data 2010

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

2010 Preliminary Results (pro-quota)

(€m)

	Total	AES Torino	Toscana Energia	Other companies
EBITDA	92	51 (*)	34	7
EBIT	70	40	25	5
NET PROFIT	44	26	15	3
RAB (Gas distrib.)	~520	~170	~285	~65
District heating asset value **	~190	~190		
Net Financial Debt	167	114	53	-

(*) of which District Heating EBITDA = €m 27

(**) 7x 2010 Ebitda

The leading Italian operator in the distribution business

Outstanding efficiency level

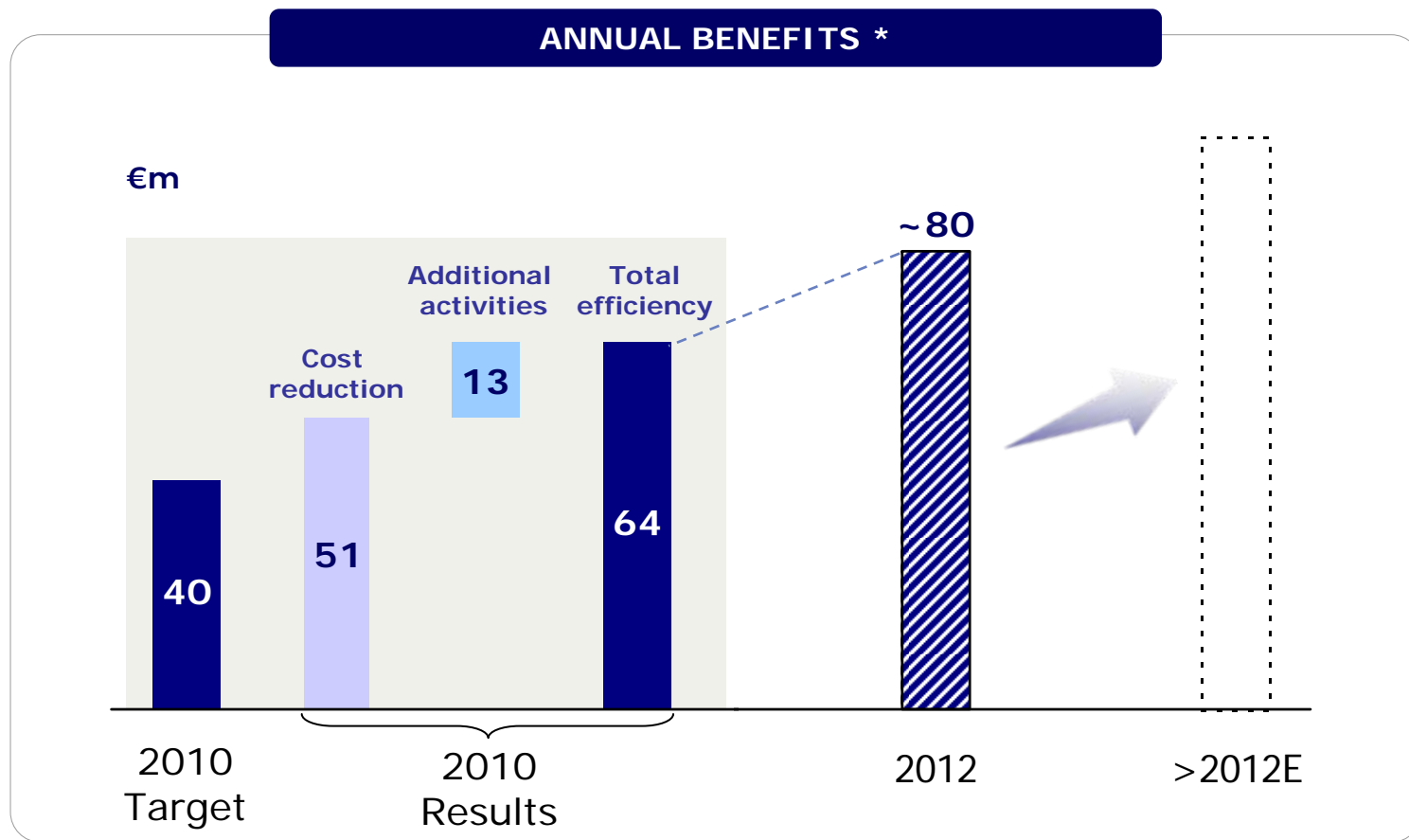
High cash flow generation

Evolving legislative environment to support
Italgas value creation

Additional value in managing associates



- Business Environment
- Capex Plan
- Evaluating Distribution Activity
- Operational and Financial Efficiency**
- Final Remarks



- Consolidating operating outperformance through faster decisions and delivery
- Well on track to meet targets and exploit further efficiency opportunities

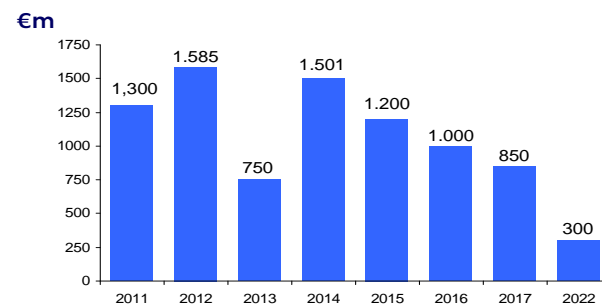


STRONG BALANCE SHEET

- Leverage targets in the medium/long term confirmed
- M/L term debt: ~ 80% of the total
- Average M/L maturity: ~ 4 years

2011-2014

Debt/RAB: ~ 50%



M/L Term Debt Maturity Profile at Dec.2010

EFFICIENT CAPITAL STRUCTURE

- Competitive cost of debt
- Limited exposure to interest rates
- Fixed-rate debt ~ 80%

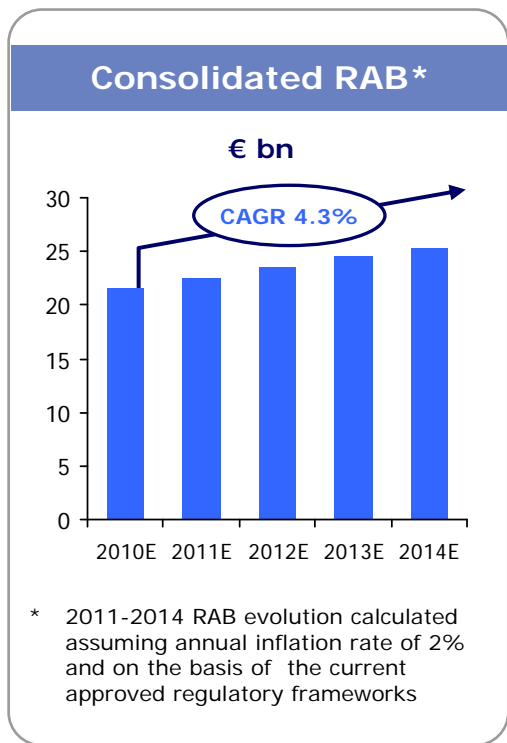
2011-2014

Maintain financial efficiency
and reduce interest rates volatility



- Business Environment
- Capex Plan
- Evaluating Distribution Activity
- Operational and Financial Efficiency

Final Remarks



EQUITY RAB

- Operating cash flow to fully cover dividend payment
- ~50% RAB growth financed by cash flow generation
- Leverage (D/RAB) expected to remain in the 50% range

Equity RAB expected to grow in line with RAB

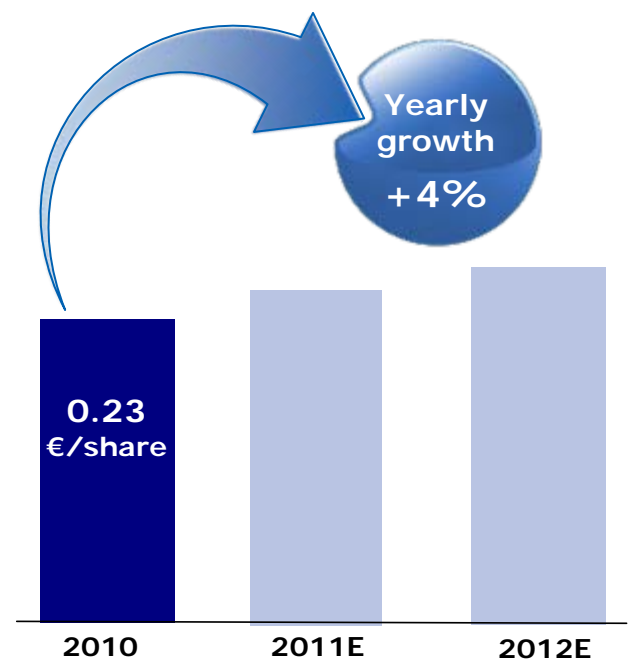
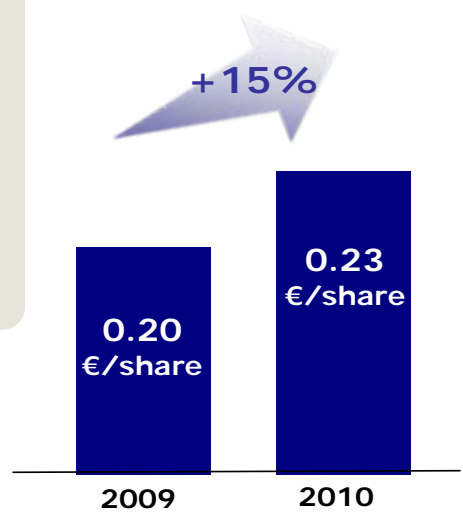
PROFITABILITY

- Increasing incentivized total RAB: from ~25% in 2010 to ~40% in 2014
- Exploiting further operating efficiency
- Preserving current financial efficiency

Create opportunities to further increase profitability



2010
increase
benefits
from EPS
growth



- Robust shareholder returns in a growing business
- DPS sustainable with a top ranking yield



Q & A Session

snam rete gas



2010 Preliminary Results & Strategy Update

Milan, February 10th, 2011

