

December 2011

the Snam Shareholder

THE GUIDE TO RUN THROUGH THE 10 YEARS OF SNAM



Snam

Regulation and strategy

Snam

10 years on the Stock Exchange

Snam

The shareholders return

The Snam of tomorrow

The implementation of the Third Energy Package





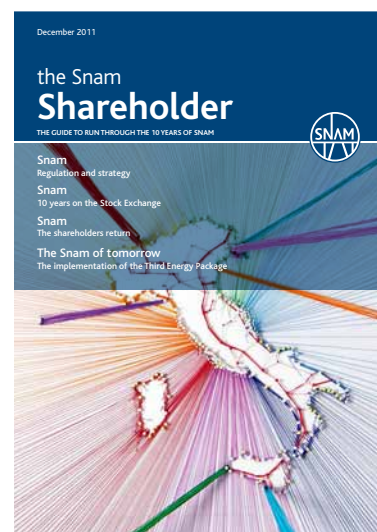
Snam
Rete Gas



Primo giorno di quotazione



The network of tomorrow, today



LETTER TO SHAREHOLDERS



REGULATION AND STRATEGY



10 YEARS OF HISTORY



THIRD ENERGY PACKAGE

Contents

Letter to shareholders

Regulation and strategy

The regulation	6
The strategy	7
The regulatory framework for the 4 businesses	8

10 years of history

10 years of activities	9
The results	10
The value of Snam on the Stock Exchange	12
The Shareholders return	13

Third Energy Package

Compliance with the Third Energy Package	14
--	----



Dear shareholders and Stakeholders,

December 6th is an important date for our company.

It is a date that brings us back to a defining moment in our history; the listing on the Stock Exchange in 2001, following the consolidation of all of Snam's activities in transport, dispatching and regasification (GNL).

Ten years have passed, and in my opinion, Snam Rete Gas represents a success story, both in terms of value creation for our shareholders, as well as for the development of the country's network.

These results have been achieved thanks to our being able to operate in a regulatory framework that is stable, transparent and incentivising.

A virtuous system, recognised at an international level, that we have tried to strengthen through continuous and pro-active dialogue with the Regulator.

I believe that more than words, it's the numbers that are a true testimony of what we have achieved: thanks to investments of around € 7bn, the transport network in operation grew from 29,600 km to nearly 31,700 km, increasing the transport capacity by 50%; the volume of transported gas increased from around 70bn cubic metres in 2001, to over 83bn cubic metres in 2010. We manage 8 storage sites, 19 compressor stations, and 50,000 km of distribution network.

Since listing, Snam Rete Gas has consistently generated profits and has distributed dividends. Since 2001, Snam Rete Gas has distributed around € 4.7bn in dividends, corresponding to around 73% of net income on average. Those who subscribed to the shares during the initial offering have gained a significant return, equal to approximately 150%.

An extraordinary effort, which combined with our industrial tradition, and our culture of excellence across all of our workforce, has allowed us to respond to the country's requests for a safer gas system with more flexible supply, and ensure attractive and sustainable returns to our shareholders.

All of this was achieved, whilst maintaining a well-rooted culture of sustainable development, and prioritising the quality and safety of our services.

Looking over the past decade, I'd also like to highlight the month of June 2009.

In an increasingly complex and competitive environment, we acquired the entire share capital of Stogit and Italgas from Eni creating, along with GNL, a single integrated group able to cover the entire chain of regulated activities in the Italian gas business.

The decision to integrate the four companies was made in line with the expectations of our main points of reference, the market and shareholders, the regulatory authorities, and other stakeholders.

The integration process can be viewed as a response to signs in the market that further value creation would be welcome. The market enthusiastically participated in a capital increase carried out at the completion of integration; a show of confidence, which in my opinion was the Group's first success.

We have established a new entity which is a leader in Europe in terms of operational capacity and profile dimension.

The Authority will therefore be able to interact with a Group which is able to effectively, safely and efficiently face the issues that the continuously expanding and integrated energy markets will pose in coming years.



Finally, regarding other stakeholders, the new group aims to consolidate its image as a responsible and transparent entity, also thanks to putting additional focus on prioritising the development of its personnel and business acumen.

Thanks to the commitment, expertise and passion of all people working in the Group, today we are able to reap the first fruits of the decisions made in 2009.

Despite the current difficult environment, all of our operational and financial indicators have improved, allowing us to confirm our ambition of creating sustainable value over time for our shareholders and for the community.

However, we do not intend to stop here.

In the coming months and the years ahead we will encounter new challenges and objectives.

Today, SNAM aims to be a company that is part of a value chain which will lead Italy to become an international player, actively contributing to the creation of a "gas hub" system in the South of Europe.

In our investment plan, we have selected projects and made decisions that create the conditions to transform Italy into a country of transit, as well as one of consumption. In the transport business, we have launched projects to reverse the flow of imports and exports to the connection points with Europe. In storage, we have one of the largest networks in Europe, and we have the opportunity to develop this further to promote commercial and industrial use.

In line with our European ambitions, we have submitted a proposal to be approved by the Board of shareholders, for the transfer of our transport business to the operating company which will manage it from the 1st January 2012, and which will be known as Snam Rete Gas, taking into account the value of the brand both in the specific sector and in the overall market.

This is a highly significant decision, moving towards the new Group structure, and which will see the name SNAM used as the corporate brand which has 100% control of the companies involved in transport, supply and metering activities (Snam Rete Gas), distribution (Italgas), storage (Stogit), and regasification (LNG Italy).

The new transport company is structured as an Independent Operator in accordance with what's been set out on a national level in the European Commission's Third Energy Package. Consequently, we must take further steps to promote the coordination of regulation at a European level.

In my opinion, only by equipping ourselves with an infrastructure and a European market with coordinated regulation can the Member States enact policies to reduce costs for consumers, and guarantee supply by diversifying its sources.

I am convinced that thanks to the help, commitment and enthusiasm of all the people who work in the Snam Group each day, the clear strategic vision which we are characterized by, as well as our unrivalled knowledge of the European market, we will live up to this new exciting challenge of ensuring sustainable growth in value over time.

SNAM is synonymous with tradition, continuity and innovation.



THE REGULATION

A CLEAR AND DEFINITE REGULATION...

On 15 November 2000, Rete Gas Italia S.p.A. was founded. On 1 July 2001, in compliance with the Letta Decree*, the activities related to natural gas transmission and dispatching and LNG re-gasification in Italy was transferred to Rete Gas Italia S.p.A. by Snam S.p.A. On 10 October 2001, Rete Gas Italia changed its name to Snam Rete Gas S.p.A. On 6 December 2001, Snam Rete Gas was listed on the Milan Stock Exchange. Since its constitution Snam Rete Gas is subject to the regulation set by the Authority for Electricity and Gas (AEEG), whose main criteria are represented by:

Regulatory period duration

The duration of the regulatory period is 4 years for each business

Regulated Asset Base

The RAB sets the value of the capital invested by a company to provide its service. The WACC identifies the allowed return to the invested capital and is calculated according to the Capital Asset Pricing Model (CAPM) methodology

Incentives to the investments

The investments are incentivized through a further remuneration that is added to the base return rate (WACC)

Operational efficiency

The operating efficiency is set through an annual target of operating cost reduction for the company

* The Letta Decree (164/2000) established that, as from 1 January 2002, natural gas transmission and dispatching activities (including LNG re-gasification) must be separated from all other gas sector activities in a separate company.



THE STRATEGY

...IS MIRRORED IN A SOLID AND CHALLENGING STRATEGY

On the basis of the regulatory framework, Snam Rete Gas has always pursued a sustainable model of growth through a strategy of business aimed at creating value for the shareholders, at guaranteeing the gas system development and the security of supply, also consistent with the recent goals of developing an Italian gas hub.

Four years strategic plan

INVESTMENTS 2011/2014: euro 6.4 bn

€1.6bn

€4.8bn

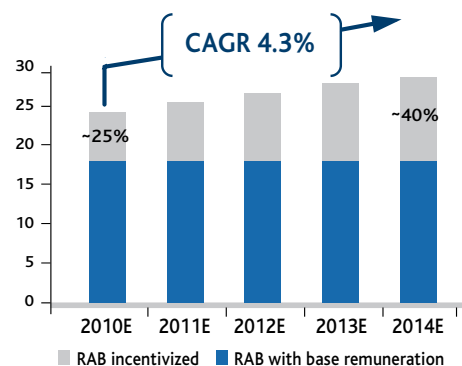
2011

2012 / 2014

The 2011-2014 strategic plan foresees a RAB growth of 4.3% in the 2011-2014 period

CONSOLIDATED RAB*

€ bn

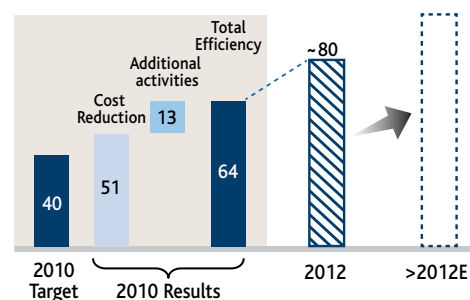


* 2011-2014 RAB evolution calculated assuming annual inflation rate of 2% and on the basis of the current approved regulatory frameworks.

Through its investments plan the RAB incentivized is expected to grow from the 25% in 2010 to approximately 40% in 2014

For the 2012 the Company is expected to reach its saving target of 80 million euro (calculated in real terms versus the 2008 controllable fixed costs) with the same business perimeter

OPERATIONAL EFFICIENCY ON 2011/2014 PLAN* €m



* In real terms, based on 2008 perimeter of activities.

CREATE VALUE FOR SHAREHOLDERS



THE REGULATORY FRAMEWORK FOR THE 4 BUSINESSES SUPPORTING LOW RISK PROFILE

	TRANSPORT	DISTRIBUTION	STORAGE	REGASIFICATION
Expiry	December 2013	December 2012	December 2014	September 2012
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 Deduction of recognised clean-up costs 	<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

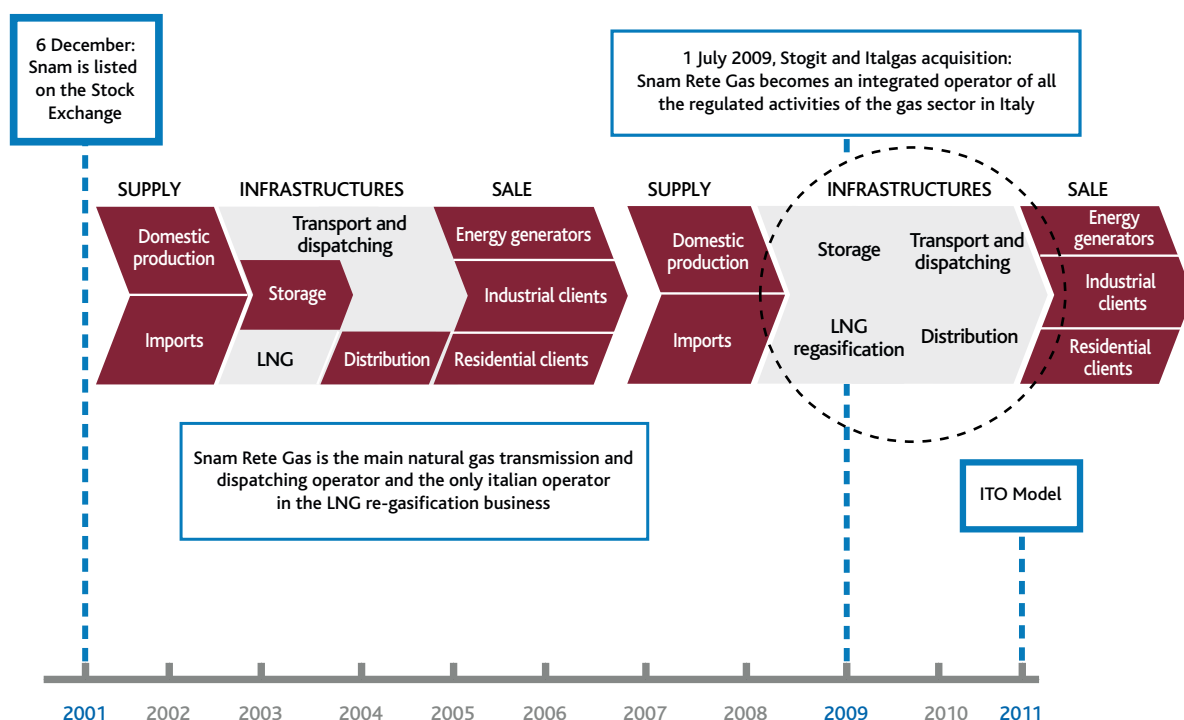




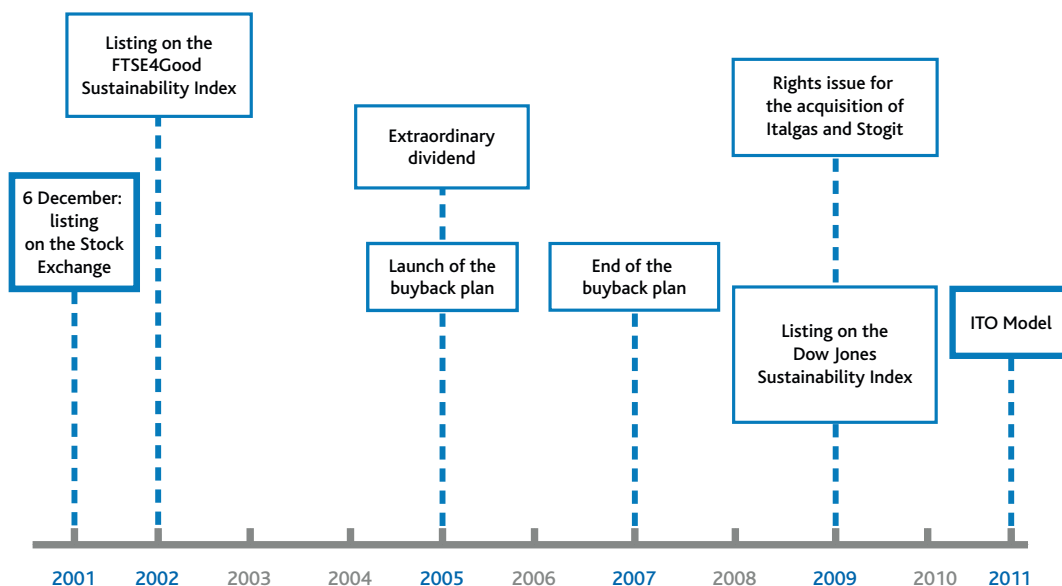
10 YEARS OF ACTIVITIES

Starting from 1 July 2009, Snam Rete Gas integrated, through the acquisition from eni of the 100% share capital of Stogit and Italgas, the gas storage and distribution businesses, becoming an integrated operator in the regulated activities of the gas sector in Italy.

10 YEARS OF OPERATIONS



10 YEARS ON THE STOCK EXCHANGE





THE RESULTS

2H 2001 RESULTS

(m euro)

TOTAL REVENUE	932
EBIT	448
NET PROFIT	183
INVESTMENTS	256
EPS	0.09 euro
GAS TRANSPORTED (pro-forma 2001)	70.38 billion m ³
GAS PIPELINE GRID	29,607 km
ITALIAN GAS DEMAND*	71.2 billion m ³

* Volume for the full year 2001.

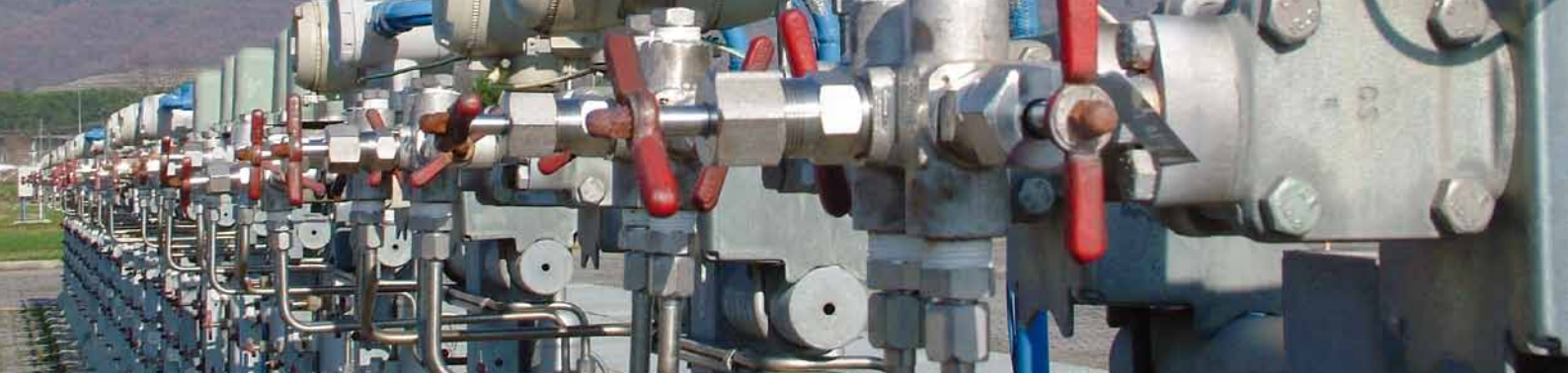
2009 RESULTS*, YEAR OF STOGIT AND ITALGAS ACQUISITION

(m euro)

TOTAL REVENUE	2,468
EBIT	1,274
NET PROFIT	732
INVESTMENTS	1,254
EPS	0.28 euro
GAS TRANSPORTED	76.90 billion m ³
GAS PIPELINE GRID	31,531 km
ITALIAN GAS DEMAND	78.02 billion m ³

* Consolidated combined results, include the impact of consolidating the two companies Stogit and Italgas as of the third quarter of 2009.





2010 RESULTS

(m euro)

TOTAL REVENUE	3,508
EBIT	1,862
NET PROFIT	1,106
INVESTMENTS	1,540
EPS	0.33 euro
GAS TRANSPORTED	83.32 billion m ³
GAS PIPELINE GRID	31,680 km
ITALIAN GAS DEMAND	82.98 billion m ³





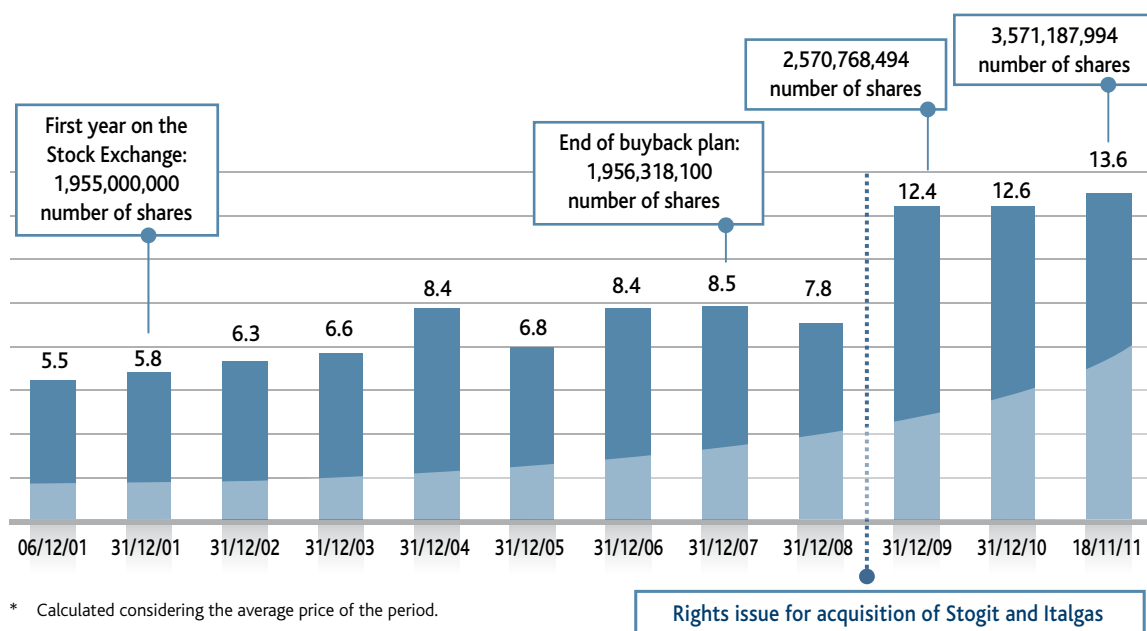
THE VALUE OF SNAM ON THE STOCK EXCHANGE

Snam's share price trend from the IPO to date

BASE 6 DEC.2001= 100



10 years of market cap* growth



* Calculated considering the average price of the period.

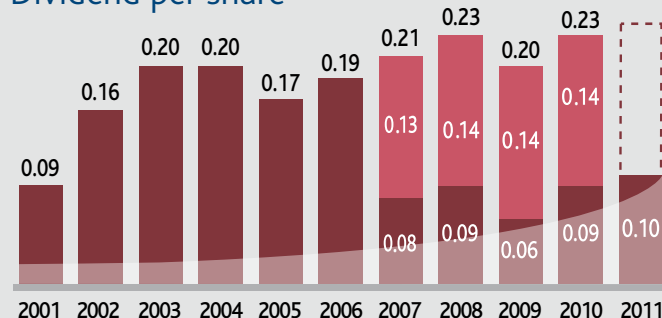
THE SHAREHOLDERS RETURN

In the ten years since the IPO Snam Rete Gas has always distributed dividends to its shareholders, for a total amount of 4.7 billion euro, equal to approximately 73% of net profit.

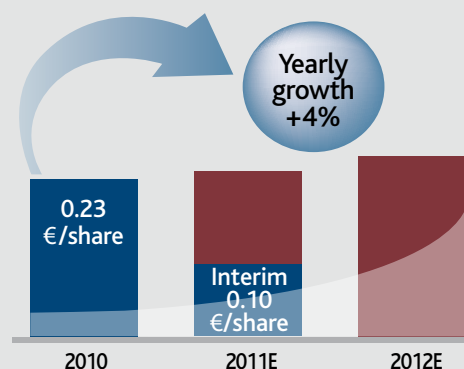
DIVIDEND YIELD % (ORDINARY DIVIDEND /END YEAR PRICE)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
3.2	4.9	5.9	4.7	4.9	4.4	4.8	5.8	5.8	6.2

Dividend per share



Dividend policy

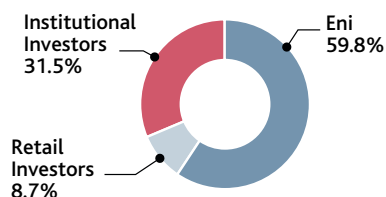


TSR FROM 2001 TO 2011: 148%*

Shareholders

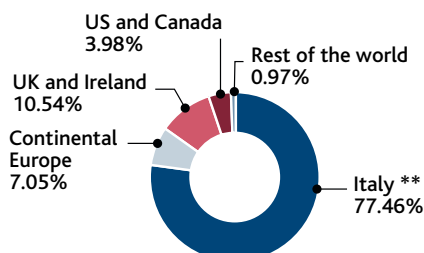
On 6 December 2001 40.24% of Snam Rete Gas share capital is listed on the Stock Exchange. The offer price was set at euro 2.80 per share with a nominal value of 1.00 euro. Snam Rete Gas shares have been included in the Milan Stock Exchange MIB30 index since 18 March 2002.

At December 2001, with 1,955,000,000 outstanding shares, the shareholding structure was:

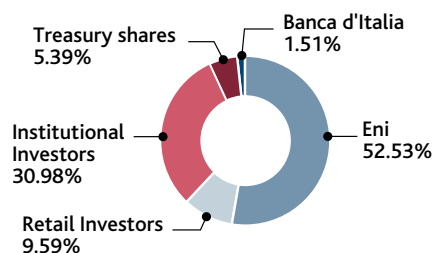


Shareholding geographical breakdown:

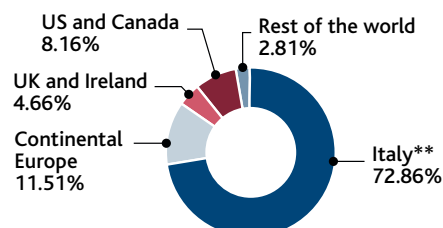
October 2002



At October 2011, with 3,571,187,994 outstanding shares, the shareholding structure was:



October 2011



* Calculated assuming the re-investment of the dividends in the Snam stock and using the average price of the period (1 January/18 November 2011): euro 3.80.

** The Italy percentage figure includes eni's stake, treasury shares, Banca d'Italia's stake, the shares owned by retail investors and the share capital controlled by Italian institutional investors (6.4% at October 2002, 3.84% at October 2011).



COMPLIANCE WITH THE THIRD ENERGY PACKAGE

In light of the implementation, within Italian legislation (Leg. Dec. 1 June 2011, No. 93) of the principles of the 2009/73/CE Directive (the so called "Third Energy Package") with regards to "*unbundling*", the Transmission System Operator must comply with the ITO (*Independent Transmission Operator*) model.

In this regard, Snam Rete Gas S.p.A. has started a corporated reorganisation project relating, among other things, to the assignment of the entire corporate structure relative to the natural gas transport business - with effect as of 1 January 2012 - into the share capital of Snam Trasporto S.p.A., wholly controlled subsidiary of Snam Rete Gas.

Effective on the same date, the *Corporate* name will be changed to "Snam" whilst changing Snam Trasporto into "Snam Rete Gas".

The effect of this will be that, Snam, as *Corporate*, will hold 100% interest in four operating companies (GNL Italia, Italgas, Stogit, and Snam Trasporto), focusing on the management and development of their respective *businesses*. In relation to its subsidiaries, Snam will be in charge of strategic planning, management, coordination and control and will provide services, in compliance with the governance of the *unbundling procedures*.

Upon completion of the assignment, the subsidiary Snam Rete Gas will be subject to certification by AEEG (Authority for Electricity and Gas) that the Transmission Operator conforms to the ITO model (and as thus designated by the Ministry of Economic Development). The following requirements are necessary:

- Availability of all resources (human and financial) required for the performance of gas transport. Specifically, the Transmission Operator shall:
 - Be owner of all assets required, including the transport network
 - Hire in all required personnel
 - Have financial resources for future investment projects and/or for replacement of already existing assets
- To have an identity that will not be confused with the vertically integrated business (eni, henceforth "IVI"), implemented by way of (i) separate communications policy and distinct brands from those belonging to IVI and (ii) the separation of materials from their respective offices
- Independence from IVI, guaranteed by:
 - Suitable statutory regulations and appropriate management and organisational structure
 - Effective and independent powers of decision in regard to assets necessary for management, maintenance and development of the transport system
 - Preclusion of cross shareholdings with parts of IVI that do production and supply business
 - AEEG control over commercial and financial relations with IVI
- Governance model which includes appropriate independence requirements:
 - Supervisory body with competencies pertaining to the taking of decisions with significant impact on the value of the Transmission Operator shareholder's business
- Managers with competencies pertaining to day to day business, network management and the work required for the processing of the ten year network development plan.

In addition, the following roles need also to be filled: Compliance Manager, in charge of the control and monitoring of the implementation of the requirements programme and for the ten year development plan as well as an external accounts auditor different from that assigned by IVI.

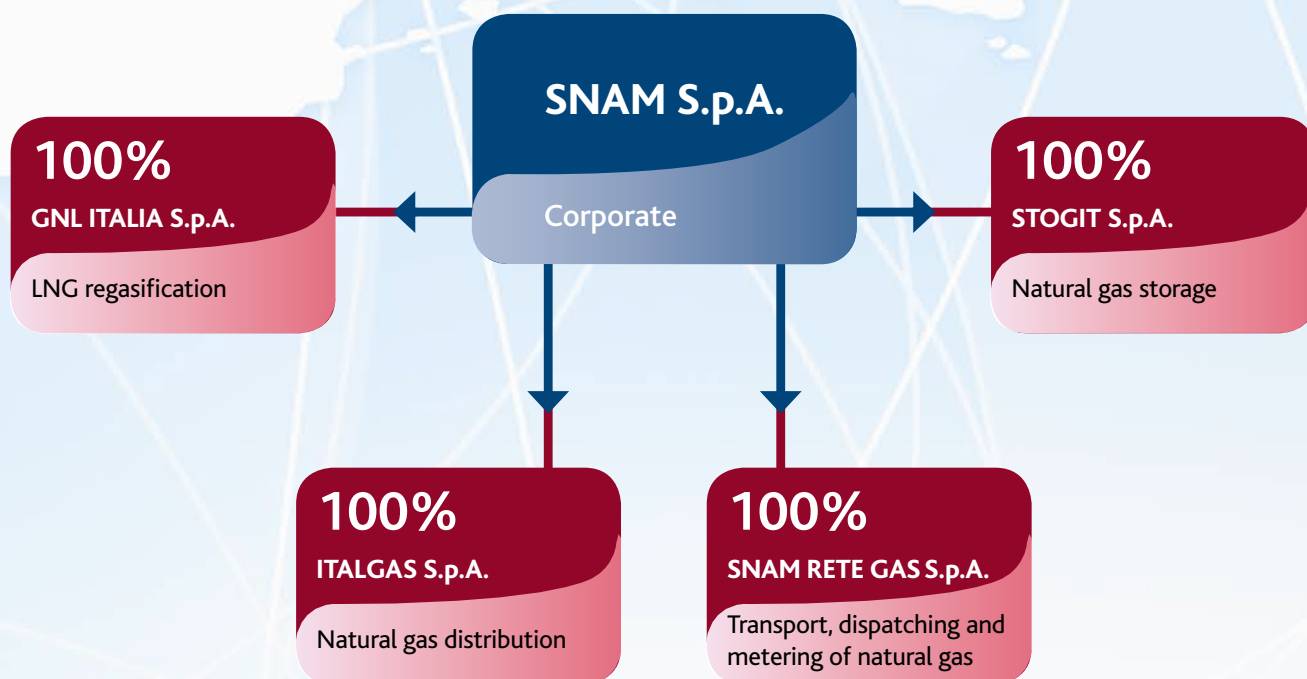
Preparation and submission to the competent authorities for appropriate verifications:

- The programme of the requirements (regarding the measures aimed at avoiding discriminatory conduct) for approval to AEEG
- The ten year network development plan to AEEG and the MSE for control and monitoring.



Snam S.p.A. and its subsidiaries will continue with combined management of the transport, distribution, storage and natural gas regasification business, in compliance with the current regulatory framework, maintaining the efficiency attained subsequent to acquisition of Italgas and Stogit. Snam S.p.A. rules of *governance* are to be updated to ensure the continuity of alignment with the international *best practices* and with the principles of the Code of Practice for market self-regulation and the recommendations of the Consob, also by way of the integration of consultative and advisory commissions formed within the Board of Directors as well as the updating of the management committee formed with the support of Snam S.p.A. CEO.

Fundamentally, the current Snam S.p.A. transport branch already works in compliance with the “Third Energy Package”. This is the route we have chosen to follow for continued growth in Italy and Europe.



Investor Relations

investor.relations@snamretegas.it

T. +39 02 5201

F. +39 02 5206 7803

Our headquarters

Piazza Santa Barbara, 7
20097 San Donato Milanese
(Milan) - Italy

www.snamretegas.it