

## Message from the CEO

Dear Stakeholders,

As in the rest of Europe, the security of supply lines in Italy is closely tied to the flexibility of infrastructures and the increase in interconnections. The development of an integrated gas network is the first step in this direction. In particular, this means joining markets with supply sources which currently are not connected, and broadening the network that interconnects the countries of the European Union. The key condition for creating a European gas network is the coordinated development and management of the upgrading of interconnected transportation systems along with the establishment of shared European rules. With their European market and infrastructure, member states can implement cost-reduction policies for consumers, limit emissions and guarantee supplies. Snam Rete Gas is committed to playing a leading role in this new European gas system. That is why our investment plan includes work programmes and decisions that strengthen our transportation network.

In fact, our projects are aimed at creating conditions for the development of a gas hub in southern Europe by capitalising on the location of Italy, which is situated at the crossroads of major gas arteries. This will allow us to play a key role in the transformation of Italy into a transit country, in addition to a consuming country, with several advantages for end consumers and the country-wide industry: guaranteed availability of gas, cost containment and reduced emissions.

The prerequisites for growth and development plans in the coming years are financial stability, operating efficiency and the management of corporate activities in accordance with sustainability criteria. Snam Rete Gas ended 2010 on a particularly positive note with a 46.2% increase in EBIT and a 51.1% increase in net profit, year on year. These results, which are due to the excellent performance of all our businesses and measures taken in terms of operating and

financial efficiency, are all the more significant given that they were achieved in an economic recovery blighted by uncertainty and limited prospects for growth in consumption.

In this global environment, after the significant slowdown in 2009, demand for gas recovered in 2010 to set the stage for gradual growth in the coming years. In 2010, gas consumption in Italy, in standard terms, was about 81 billion cubic metres, up 4.8% on 2009. This increase concerned all sectors: thermoelectric, industrial and residential. For the 10-year period 2010-2020, we project average annual growth in demand of 1.8%.

Despite critical moments, our investment plan has never stopped. We have continued to invest in building significant infrastructures for the development of the country, in spite of difficult market conditions. Investments in 2010 totalled €540 million, and were aimed at the development and maintenance of transportation (€02 million), distribution (€86 million) and storage (€52 million) infrastructures.

For the four-year period 2011-2014, we have confirmed this growth strategy with a €4 billion investment plan to increase the security and flexibility of the system, diversify supply sources and satisfy requirements related to the development of gas demand over the medium and long term. In this way, we will successfully create the conditions for transporting gas from southern to central Europe. In particular, the four-year plan provides for a 5% increase in transportation capacity, an 8% increase in active distribution meters and a 35% increase in available storage space.

Snam Rete Gas strives to achieve its strategic goals within a framework of sustainability that has been part of company processes for years. Our focus is on a culture based on sustainable development, security and service qual-



**Carlo Malacarne**  
Chief Executive Officer

ity. This commitment is also demonstrated by our active support of the Global Compact and its principles, and was corroborated again this year by confirmation of Snam Rete Gas shares on the Dow Jones Sustainability World index and, since 2002, on the FTSE4Good Index Series.

Over the years, Snam Rete Gas has built its success on several factors: company processes, the organisation of labour and the essential skills of our people. It has continued this path following the acquisition of Italgas and Stogit to build a new entity together with GNL Italia. Success in future years will also depend on the ability of the four companies to create constant synergies and develop a competitive advantage through size.

The significant results achieved, as well as those we wish to pursue, are based on a wealth of skills, implementation capabilities and human and financial resources, which for many years have allowed us to develop infrastructures for the market and the country as a whole. However, these

implementation capabilities would not be possible without respect for the communities and local areas where we have worked for decades and our constant effort to combine sustainability and development, corporate objectives and an ongoing dialogue with stakeholders.

In fact, stakeholders are a true reflection of our work: they are the people with whom we deal constantly, and to whom we want to listen by developing methods of dialogue that are increasingly dedicated to their needs.

Initiatives carried out in collaboration with our stakeholders are a testament to the relationship of trust that we have established with them. It is our desire to continue to strengthen and improve this relationship. Good sustainability practices and an effective governance model, such as that of Snam Rete Gas, are instrumental in ensuring sustainable growth over the long term. These factors have been the essential foundation of our development for many years.

A handwritten signature in black ink, appearing to read 'Carlo Malacarne'. The signature is fluid and cursive, with a large initial 'C' and 'M'.

Chief Executive Officer