

Glossary

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at www.snamretegas.it. The most common terms are described below.

Economic and financial terms

Adjusted profit

Profit net of non-recurring operations and other special items. If substantial, income-generating components are classified as special items when: (i) they derive from non-recurring events or transactions, or from events or transactions which occur infrequently during ordinary operations; or (ii) they derive from events or transactions which are not representative of normal business activity. Pursuant to Consob Regulation no. 15519 of 27 July 2006, substantial income-generating components deriving from non-recurring events or transactions are shown separately in the managers' notes and the financial reports.

Amortisation and depreciation

Process by which the cost of fixed assets is spread over a certain period, usually the useful life of the asset.

Cash flow

Liquid assets generated by a company over a certain period of time. Specifically, the difference between current inflows (mainly cash revenue) and current cash outflows (costs in the period that generated cash outflows).

Controllable fixed costs

Fixed operating costs of regulated activities, being the sum of "Total recurring personnel expense" and "Recurring external operating costs".

Core business revenue

Income from selling goods and/or providing services that are integral to the core business, including all recurring economic values linked to a company's typical field of business.

Derivatives

A financial instrument is called a derivative when its price/yield profile derives from the price/yield parameters of other major instruments – known as "underlying" – such

as commodities, currencies, interest rates, securities and share indices.

Dividend

Payment to shareholders, voted for by the shareholders' meeting and proposed by the board of directors.

Dividend payout

Ratio between the dividend and net profit for the period, and equal to the percentage of profits paid out to shareholders in the form of dividends.

EBIT

Difference between revenues and costs in a given period; therefore the income from operations before costs and revenues from financial operations and taxes.

EBITDA

Used by the group in its internal (business plan) and external (to analysts and investors) presentations. Unit of measurement to assess the group's operating performance, as a whole and in the individual business segments, in addition to EBIT. Determined by the difference between revenue and operating costs.

Equity

Total resources contributed by shareholders, plus retained profits and minus losses.

Excise duty

Indirect tax for immediate payment, applied to the production or consumption of certain industrial goods (including oil products and natural gas).

Investments

Costs of long-lasting assets where useful life does not expire over one reporting period.

Leverage

Indicator of financial structure. Measures a company's level of debt and is calculated as the percentage ratio of net financial debt to net invested capital.

Net financial debt

Indicator of the ability to meet financial obligations. Represented by gross financial debt minus cash and cash equivalents as well as other financial receivables not held for operations.

Net financial expense

Net cost incurred for using third-party capital. Includes other net expense related to financial operations.

Net invested capital

Net investments of an operational nature, being the sum of net working capital and fixed assets.

Net profit

EBIT minus result from financial operations and income taxes.

Net working capital

Capital which is invested in short-term assets and indicator of a company's short-term financial position. Calculated using all short-term, non-financial assets and liabilities.

Non-current assets

Balance sheet item which shows long-lasting assets, net of amortisation, depreciation and impairment losses. These are divided into the following categories: "Property, plant and equipment", "Compulsory inventories", "Intangible assets", "Equity investments", "Financial assets" and "Other non-current assets".

Operating costs

Costs incurred in carrying out a company's core business. These include: purchases, services, energy, consumables, personnel expense and maintenance.

TRANSPORTATION AND REGASIFICATION

Commercial terms

Network code

Document governing the rights and obligations of those involved in providing transportation and regasification services.

Network entry point

Each point or a localised group of physical points on the gas transportation network at which gas is delivered to the transporter.

Regasification tariffs

Unit prices applied for regasification. These include capacity and commodity tariffs, related respectively to the

required regasification capacity and to the volumes of gas actually unloaded from tankers.

Regulatory period

Period of time (usually four years) for which criteria are defined for setting tariffs for transporting and dispatching natural gas and for regasifying liquefied natural gas. For transportation, we are currently in the third regulatory period, which runs from 1 January 2010 to 31 December 2013. For regasification, the third regulatory period runs from 1 October 2008 to 30 September 2012.

Thermal year

Period of time into which the regulatory period is divided. For transportation, the thermal year coincides with the calendar year from 1 January 2010. The last thermal year, which ran from 1 October 2008 to 31 December 2009, was extended by three months on a one-off basis (from 1 October to 31 December 2009). For LNG regasification, we are currently in the thermal year 2009-2010, which began on 1 October 2009 and will end on 30 September 2010.

Transportation tariffs

Unit prices applied for transporting and dispatching natural gas. These include capacity and commodity tariffs, related respectively to the required transportation capacity and to the volumes of gas actually injected into the network.

Technical terms

Liquefied natural gas (Lng)

Natural gas comprised essentially of methane liquefied by cooling at around -160°C, at atmospheric pressure, to make it suitable for tanker transportation or reservoir storage. In order to be injected into the transportation network, the liquid must be reconverted into a gas at regasification plants and brought to the operating pressure of the pipelines.

NATURAL GAS DISTRIBUTION

Commercial terms

Concession

Act by which a local authority entrusts to a company the management of a service which falls within the remit of said authority and for which said company assumes the operational risk.

End client

Consumer who buys gas for own use.

Gas distribution service

Service of transporting natural gas through networks of local pipelines from one or more delivery points to redelivery points, generally at low pressure and in urban areas, for delivery to end clients.

Network code

Document governing the rights and obligations of those involved in providing gas distribution services.

Regulatory period

Period of time (usually four years) for which criteria are defined for setting tariffs for gas distribution services. We are currently in the third regulatory period, which runs from 1 January 2009 to 31 December 2012.

Retail company

Company which, by way of a contract giving it access to the networks managed by a distributor, sells the gas.

Thermal year

Period of time into which the regulatory period is divided, currently coinciding with the calendar year.

Technical terms**Equalisation**

Difference between revenues for the period (annual TRL) and those invoiced to retail companies on the basis of volumes distributed. The net position with the Equalisation Fund is established at the end of the thermal year and settled over the course of the year on the basis of advanced payments.

Gas distributed

Amount of gas delivered to users of the distribution network at the redelivery points.

Trl (total revenue limit)

Total revenues allowed for distribution companies by the regulatory body to cover costs for providing distribution and metering services.

NATURAL GAS STORAGE**Commercial terms****Injection phase**

Period from 1 April to 31 October of the same year.

Regulatory period

Period of time (usually four years) for which criteria are defined for setting tariffs for natural gas storage services. We are currently in the second regulatory period, which runs from 1 April 2006 to 31 March 2010.

Thermal year

Time period into which the regulatory period is divided, currently running from 1 April to 31 March of the following year.

Withdrawal phase

Period from 1 November to 31 March of the following year.

Technical terms**Mining storage**

Necessary for technical and economic reasons in order to enable optimum cultivation of Italy's natural gas fields.

Modulation storage

Aims to respond to changing hourly, daily and seasonal demands.

Strategic storage

Aims to provide for a lack of or reduction in supplies from non-EU imports or crises in the gas system.