



Alberto Meomartini



Carlo Malacarne

Letter to the shareholders

Dear shareholders and stakeholders,

In 2009, we saw the most acute phase of the global financial crisis, but also the first signs of recovery in the final part of the year. Against this background and in an uncertain climate, Snam Rete Gas has proven its business model – characterised by a limited industrial and financial risk profile – to be solid and has managed to seize market opportunities by acquiring from Eni Italgas and Stogit, leading operators in the respective businesses of natural gas distribution and storage in Italy.

All stakeholders of the gas system stand to benefit because the acquisition will lead to a synergistic, and therefore more efficient, management of this system. At the same time, it will be possible to diversify regulatory risk: the transportation, distribution, regasification and storage businesses are subject to different regulations with different time horizons. By subscribing 99.75% of the shares not taken up under option by Snam Rete Gas shareholders during the capital increase to finance the acquisition, the market showed its appreciation of the business and strategic motives behind the transaction, which aims to sustain the growth of the company as it becomes a unique European market leader in the regulated gas sector.

Snam Rete Gas shares ended the year quoted at €3.46 per share (+6.1% compared with the adjusted price for 2008), outperforming the European utilities sector index (Dow Jones Stoxx 600 Utilities +1%). The other main indices, which fell sharply in 2008, generated returns in the region of +19.5% (FTSEMIB) and +24.1% (Dow Jones Euro Stoxx 50).

In 2009, Snam Rete Gas also listed on the Dow Jones Sustainability World Index (DJSI World), the first and most prestigious global share index which assesses the social responsibility of companies. Only companies with excellent business management based on sustainability criteria make it onto the list. This listing is testament to the company's constant and growing commitment to sustainable development, which we pursue on a daily basis thanks to the expertise of our staff and their continual improvement.

Snam Rete Gas will continue to invest by preserving its business model and pursuing its objective of creating value for shareholders, the community and all stakeholders, in total respect of its environment and surroundings.

The results for financial year 2009 include the associated effects of consolidating Italgas and Stogit, which were recorded from the transaction completion date of 30 June 2009 and are therefore included in the results for the second half of the year.

EBIT of €1,274 million was up by €252 million, or 24.7%, compared with financial year 2008, owing to the contribution from the natural gas distribution (€203 million) and storage (€92 million) business segments after consolidating Italgas and Stogit. This was partly offset by reduced EBIT from the transportation business (-€43 million), which was only slightly lower (-4.2%) than in 2008 despite a significant fall in gas demand (-8%) and the subsequent drop in volumes of natural gas transported (-10.2%). The regasification business recorded EBIT of €5 million, in line with the figure for 2008.

Net profit of €732 million was up €202 million, or 38.1%, compared with financial year 2008. This was because of higher EBIT (+€252 million), income from equity invest-

ments (+€22 million), relating primarily to the shares of results for the period of subsidiaries and affiliates valued using the equity method, and lower net financial charges (+€9 million) owing essentially to a significant reduction in market interest rates. These factors were partially offset by an increase in income taxes (-€81 million) brought about by higher pre-tax profit.

The major positive cash flows of the year came from operations (+€1,164 million) and from the net cash flow of equity (+€3,443 million) owing to the part-financing of the acquisition of Italgas and Stogit through the capital increase. These flows only partly covered the financial requirements connected with the acquisition of the two companies (-€4,474 million, net of acquired cash and cash equivalents), investments (-€1,179 million) and dividends (-€450 million), resulting in an increase in net financial debt at 31 December 2009 of €3,713 million, including €2,219 million of debt of the companies acquired at 30 June 2009. Leverage was 63.6% at year-end, unchanged from 2008.

The results achieved allow for the distribution, subject to approval from the shareholders' meeting, of a dividend of €0.20 per share, €0.06 per share of which was distributed as an interim dividend in October 2009. This is in line with the

attractive and sustainable dividend policy of Snam Rete Gas in the context of a growing business.

We will continue to focus on efficiency in 2010, particularly regarding operational synergies arising from the integration of Italgas and Stogit, which will provide estimated cost savings of around €40 million in 2010, calculated in real terms on the basis of costs for 2008 and at constant structure.

The integration of Italgas and Stogit also enables Snam Rete Gas to confirm a solid and significant investment plan aimed at developing the gas system in Italy and sustaining and increasing the group's growth opportunities in the medium and long term.

Snam Rete Gas knows that continually improving corporate performance with regard to sustainable development is key to success. It will therefore continue its commitment to improving the reliability and capacity of strategic services for the country that ensure sustainable economic development, in total respect of the environment and social climate in which the group operates. As part of this development policy, Snam Rete Gas's activities and corporate systems are based on good governance principles in order to maximise value for shareholders and ensure complete transparency in business management.

10 March 2010

On behalf of the board of directors



Chairman



CEO

BOARD OF DIRECTORS (*)

Chairman

Alberto Meomartini

CEO

Carlo Malacarne

Amministratori

Giuseppe Airoldi ⁽¹⁾	Independent director
Davide Croff	Independent director
Massimo Mantovani	Director
Massimo Mondazzi	Director
Roberto Lonzar ⁽¹⁾	Independent director
Roberto Lugano ⁽¹⁾	Independent director
Renato Santini	Independent director

BOARD OF STATUTORY AUDITORS (*)

Chairman

Pierumberto Spanò ⁽¹⁾

Standing auditor

Roberto Mazzei
Riccardo Perotta

Alternate auditor

Giulio Gamba
Luigi Rinaldi ⁽¹⁾

AUDIT COMMITTEE (**)

Roberto Lugano	Chairman - Independent director
Roberto Lonzar	Independent director
Renato Santini	Independent director

COMPENSATION COMMITTEE (**)

Giuseppe Airoldi	Chairman - Independent director
Davide Croff	Independent director
Massimo Mondazzi	Director

GENERAL MANAGER

Francesco Iovane ⁽²⁾

INDEPENDENT AUDITORS (***)

PricewaterhouseCoopers S.p.A

(*) Appointed by the shareholders on 26 April 2007 and in office until approval of the financial statements of 31 December 2009.

(**) Committees set up on 26 February 2002. Members appointed by the board of directors on 8 May 2007.

(***) Mandate awarded by shareholders on 27 April 2004 for the three-year period 2004-2006 and extended by shareholders on 26 April 2007 for the period 2007-2012.

⁽¹⁾ Appointed from the minority shareholders' list.

⁽²⁾ Appointed Operations General Manager by the board of directors on 8 May 2006.