

## Review of the year



### Results

In 2009, Snam Rete Gas registered a net profit of €732 million, an increase of 38.1% on the previous financial year. The increase was attributable mainly to performance in the natural gas distribution and storage business segments after the consolidation of Italgas and Stogit, the effects of which were recorded from the transaction completion date of 30 June 2009. EBIT in the transportation business was down slightly on 2008 (-4.2%), despite a substantial fall in gas demand (-8%) and the subsequent reduction in transported gas volumes (-10.2%).

### Dividend

The profit and cash generated 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. The remaining €0.14 per share will be paid out from 27 May 2010 (ex-dividend date of 24 May 2010). The payout is 92.21%<sup>2</sup> (76.42% in 2008).

### Natural gas transportation

The volume of gas injected into the transportation network was 76.90 billion cubic metres, a reduction of 8.74 billion cubic metres compared with 2008 (-10.2%). This fall was due mainly to lower natural gas demand in Italy, particular-

ly from the thermoelectric (-15.5%) and industrial (-14.6%) sectors.

### Natural gas distribution

The volumes of gas carried by the group's distribution network in 2009 were 7,537 million cubic metres, an increase of 106 million cubic metres, or 1.4%, compared with 2008, due essentially to weather conditions and network development.

### Natural gas storage

In 2009, 16.52 billion cubic metres of natural gas were moved through the group's storage system, an increase of 4.95 billion cubic metres, or 42.8%, compared with 2008. The increase was due mainly to greater withdrawals of gas from storage (+65.3%).

The available storage capacity at 31 December 2009 was around 8.9 billion cubic metres, an increase of 3.5% compared with a year earlier.

### Investments

Investments (€1,254 million) related mainly to developing and maintaining the natural gas transportation and regasification infrastructures (€933 million). Investments relating to the natural gas distribution and storage business segments, and made as from the acquisition completion date, were €172 million and €149 million respectively.

<sup>(2)</sup> The payout for 2009 is not representative of the normal performance level in that, as described previously, the contribution to consolidated net profit from the natural gas distribution and storage business segments relates to the second half of the year.



## Major events

### *Acquisition of Italgas and Stogit from Eni*

On 30 June 2009, the acquisition from Eni of the entire share capital of Italgas S.p.A and Stogit S.p.A was completed with payment by Snam Rete Gas of €4,509 million<sup>3</sup>, including €2,922 million for Italgas and €1,587 million for Stogit. The acquisition was financed by a capital increase through issuing new shares, offered under option to Snam Rete Gas shareholders, for €3,474 million, including a share premium<sup>4</sup>, and by taking out new loans from the ultimate parent Eni S.p.A for the remainder.

As a result of this transaction, Snam Rete Gas is a market leader in Europe with more than 31,000 km of transportation network, eight operating storage sites, 19 compression

stations, around 50,000 km of distribution network and a regasification terminal.

### *Electricity and Gas Authority*

On 2 December 2009, the Electricity and Gas Authority published resolution ARG/gas 184/09, establishing the criteria for setting natural gas transportation, dispatch and metering revenues and tariffs for the third regulatory period, which began on 1 January 2010 and which will run until 31 December 2013<sup>5</sup>. It also set at €33.6 million the amount owing to Snam Rete Gas for additional costs incurred by the company during the 2007-2008 thermal year for purchasing fuel gas used to supply the compressor stations<sup>6</sup>. This payment was recorded in the 2009 financial year, under transportation revenue.

<sup>(3)</sup> The payment for both acquisitions is subject to future modifications, the scale of which was not considered when setting the price upon completion of the transaction given the difficulty in obtaining an objective outlook on the basis of available information. Information relating to the price adjustment mechanisms of the acquisitions can be found in note 23 "Guarantees, commitments and risks" of the notes to the consolidated financial statements.

<sup>(4)</sup> Includes collecting via auction options unexercised during the option offer period.

<sup>(5)</sup> Information on the regulatory framework of each business segment can be found in the "Operating review" section of this report.

<sup>(6)</sup> The same resolution also established that the additional costs incurred by the company in the period from 1 October 2008 to 31 December 2009 will be determined by the Authority in due course.

For purposes of allowing a better assessment of economic and financial performance, in addition to the conventional IAS/IFRS indicators and financial statements, the directors' report also features reclassified financial statements and several alternative performance indicators such as

EBITDA, EBIT and net financial debt. The following tables, their explanatory notes and the reclassified financial statements show how these amounts were determined; see the glossary for a definition of the terms used, if not directly specified.

Key financial figures <sup>(a)</sup>	(€ millions)	2007	2008	2009
Core business revenue		1,790	1,902	2,438
Operating costs		357	399	581
EBIT		1,022	1,022	1,274
Net profit <sup>(b)</sup>		594	530	732
Investments		728	1,044	1,254
Net invested capital at 31 December		9,389	9,809	15,652
Equity including minority interests at 31 December		3,507	3,573	5,703
Group net equity at 31 December		3,507	3,573	5,702
Net financial debt at 31 December		5,882	6,236	9,949
Free Cash Flow		184	32	(4,489)
Number of shares	(millions)	1,956.3	1,956.4	3,570.8
Number of shares outstanding at 31 December	(millions)	1,760.8	1,761.0	3,375.9
Average number of shares outstanding during the year <sup>(c)</sup>	(millions)	1,773.2	1,761.0	2,579.3
Official price per share at year-end <sup>(d)</sup>	(€)	3.56	3.26	3.46
Average official price per share during the year <sup>(d)</sup>	(€)	3.66	3.45	3.22
Stock market capitalisation <sup>(e)</sup>		7,660	7,009	11,681
Dividend for the year <sup>(f)</sup>		370	405	675
Dividend paid out during the year		475	387	450

(a) The results for 2009 include the associated effects of consolidating Italgas and Stogit as from 30 June 2009, the completion date of the transaction. Consequently, the income statement includes the effects of consolidating the companies acquired in the second half of 2009. At the transaction completion date, the assets and liabilities of Italgas and Stogit, included in the consolidated financial statements of Snam Rete Gas using the predecessor values method, were recognised at the carrying amounts in the respective balance sheets.

(b) Net profit is attributable to Snam Rete Gas.

(c) As required by IAS 33 "Earnings per share", the ordinary shares issued as part of the cost of a business combination have been included in the weighted average number of shares from the date of acquisition of control (30 June 2009).

(d) According to the "Principles and Conventions" of Borsa Italiana, an appropriate adjustment coefficient must be applied to the historical price series after extraordinary transactions (capital increases, share splits, groupings, mergers, payment of extraordinary dividends) in order to restore the continuity and comparability of share prices. The official Snam Rete Gas share prices for 2007 and 2008 have therefore been adjusted.

(e) Number of shares outstanding multiplied by the official year-end price per share. The figures for 2007 and 2008 were calculated on the basis of historical prices (€4.35 and €3.98 respectively at the end of each year) and do not take into account the price adjustment following the capital increase.

(f) The amount for 2009, relating to the balance, was estimated on the basis of the number of shares outstanding at 31 December 2009.

Key profit and financial indicators		2007	2008	2009
EBIT per share <sup>(a)</sup>	(€)	0.58	0.58	0.49
Simple earnings per share <sup>(a)</sup>	(€)	0.34	0.30	0.28
Group equity per share <sup>(a)</sup>	(€)	1.98	2.03	2.21
Attributable dividend (€ per share)		0.21	0.23	0.20
Leverage (Net financial debt/net invested capital)	%	62.6	63.6	63.6
Payout (Attributable dividends per year/net profit) <sup>(b)</sup>	%	62.29	76.42	92.21
Price/book value (Average official price per share/group equity per share)	(€)	2.25	2.04	1.46
ROE <sup>(c)</sup>	%	16.5	15.0	15.8
ROI <sup>(d)</sup>	%	11.1	10.6	10.0
Dividend yield (Attributable dividend/official year-end price per share) (%) <sup>(e)</sup>	%	4.83	5.78	5.78

(a) Calculated considering the average number of shares outstanding at 31 December.

(b) The contribution to consolidated net profit from the natural gas distribution and storage business segments relates to the second half of the year. The 2009 dividend balance is estimated.

(c) The Return On Equity (ROE) was calculated as the ratio of net profit to the average of the equity at the beginning and end of the year.

(d) The Return On Investment (ROI) was calculated as the ratio of EBIT to the average of the net invested capital at the beginning and end of the year.

(e) The official figures for the end of 2007 and 2008 (€4.35 and €3.98 respectively) are historical prices and therefore do not take into account the price adjustment following the capital increase.

Key operating figures <sup>(a)</sup>	2007	2008	2009	Change	% change
<b>Natural gas transportation <sup>(b)</sup></b>					
Natural gas injected into the gas transportation network (billions of cubic metres)	83.28	85.64	76.90	(8.74)	(10.2)
Transportation network (km in use)	31,081	31,474	31,531	57	0.2
<b>Liquefied Natural Gas (LNG) regasification <sup>(b)</sup></b>					
LNG regasified (billions of cubic metres)	2.38	1.52	1.32	(0.20)	(13.2)
<b>Natural gas distribution <sup>(b)</sup></b>					
Gas distributed (millions of cubic metres)		7,431	7,537	106	1.4
Concessions for gas distribution (number)		1,438	1,441	3	0.2
Distribution network (km)		49,410	49,973	563	1.1
<b>Natural gas storage <sup>(b)</sup></b>					
Available storage capacity (billions of cubic metres) <sup>(c)</sup>		8.6	8.9	0.3	3.5
Natural gas moved through the storage system (billions of cubic metres)		11.57	16.52	4.95	42.8
Customers (number)		48	56	8	16.7
<b>Employees in service at year-end (number) <sup>(d)</sup></b>	<b>2,357</b>	<b>6,380</b>	<b>6,187</b>	<b>(193)</b>	<b>(3.0)</b>
<i>of whom business segment:</i>					
- Transportation	2,270	2,252	2,254	2	0.1
- Regasification	87	93	87	(6)	(6.5)
- Distribution		3,732	3,545	(187)	(5.0)
- Storage		303	301	(2)	(0.7)

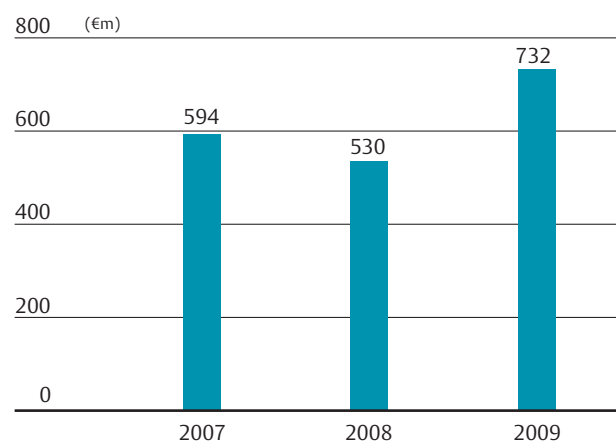
(a) For comparison purposes, operating data for the acquired companies have also been shown for 2008. The changes shown in this table, and in subsequent tables in this report, are those from 2008 to 2009. The percentage changes were determined on the basis of data shown in the relevant tables.

(b) Gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1, 38.9 and 39.4 MJ/SCM respectively for the businesses of transportation and regasification, distribution and storage of natural gas.

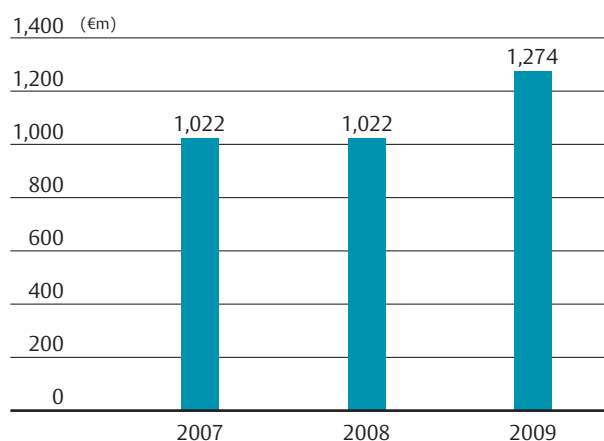
(c) Working gas capacity for modulation, mining and balancing services.

(d) Fully consolidated companies. The number of employees in service in the natural gas distribution business segment in 2008 includes 66 employees of Acqua Campania S.p.A, a company which left the consolidation scope in 2009.

#### Net profit



#### EBIT



#### Leverage

