

## PRESS RELEASE

### Snam Rete Gas: Board of Directors approved 2006 first quarter results:

- Gas injected into the transmission network 24.9 billion cubic metres +5.0%
- Operating Profit 249 million Euros -5.3%
- Net profit 127 million Euros -13.6%

### Carlo Malacarne appointed Chief Executive Officer

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*San Donato Milanese 8<sup>th</sup> may 2006.* Today the Board of Directors of Snam Rete Gas S.p.A. approved 2006 first quarter results closing with a net profit of 127 million Euros.

The Board of Directors also appointed Carlo Malacarne as Chief Executive Officer and Francesco Iovane Managing Director of Operations.

Main operating data	I quarter		Change	Change %
	2005	2006		
Natural gas injected into the National Pipeline Network (billions of cubic metres)	23.7	24.89	1.19	5.0
Gasification of liquefied natural gas (LNG) (billions of cubic metres)	0.66	0.94	0.28	42.4
Pipeline network (kilometers in operation)	30,513	30,730	217	0.7
<b>Main economic and financial data</b> (million Euros)				
Operating Profit	263	249	(14)	(5.3)
Net profit	147	127	(20)	(13.6)
Net equity	5,945	4,106	(1,839)	(30.9)
Net financial debt	2,673	4,617	1,944	72.7

### *Highlights 1 Quarter 2006*

#### **operating highlights**

- ❖ Gas injected into the transport network; an increase of 1.19 billion cubic metres (+5.0%) was driven by the thermoelectric sector.

#### **financial highlights**

- ❖ Revenue from transport: 445 million Euros; a decrease of 2.8% was due to the application of the new regulatory parameters starting from the 1<sup>st</sup> October 2005
- ❖ Net financial debt: down 202 million Euros compared to 31<sup>st</sup> December 2005.

#### **Foreseeable evolution of operation**

- natural gas demand in Italian market will grow at around 2% in 2006, led by consumption in the thermoelectric sector
- in 2006 Snam Rete Gas will continue to invest in order to support market growth; 2006 capital expenditure will be in line with the previous year.

#### **Purchase of own shares**

Snam Rete Gas is continuing with the implementation of the buy back plan, as authorised by the Shareholders' Meeting held on 10<sup>th</sup> November 2005, for up to a maximum of 194,737,950 Snam Rete Gas shares and for a total amount not exceeding 800 million Euros. On the 5<sup>th</sup> May 2006, 22,201,700 Snam Rete Gas ordinary shares had been purchased (corresponding to about 1.14% of share capital) at an average price of 3.619 Euros for a total amount of about 80 million Euros.

San Donato Milanese, 8<sup>th</sup> May 2006

#### **Company contacts**

##### **Snam Rete Gas Investor relations**

Tel +39.02.520.38272 - Fax: +39.02.520.38650

e-mail: [investor.relations@snamretegas.it](mailto:investor.relations@snamretegas.it)

##### **Eni Press Office**

Tel +39 02.52031875 – +39 06.5982398

e-mail: [ufficio.stampa@eni.it](mailto:ufficio.stampa@eni.it)

*This Press Release is also available on the [www.snamretegas.it](http://www.snamretegas.it) web-site.*

## First Quarter 2006 Consolidated results

**Net Profit** (127 million Euros) a decrease by 20 million Euros, or 13.6%. This followed a reduction in the operating profit (14 million Euros) and higher financial expenditure (16 million Euros) mainly due to an increase in average financial debt affected by the payment of the Extraordinary Dividend in November 2005. The reduction of 10 million Euros in Income Tax is a result of the lower pre-tax profit.

**Operating profit** was 249 million Euros, 14 million Euros or 5.3% lower than first quarter 2005. The reduction was mainly due to: (i) lower transport revenues (15 million Euros) which suffered from the application of new regulatory parameters since 1<sup>st</sup> October 2005 (23 million Euros) but benefited from the growth of volumes transported (8 million Euros), and (ii) higher operating costs. The positive result of a dispute with a third-party led to a significant increase in other revenues and income (16 million Euros).

**Operating costs** increased by 16 million Euros mainly due to higher variable costs (5 million euros) following an increase of fuel gas cost, and the expected leaving of around 200 people within next four years (12 million Euros). This was partially offset by the reduction in controllable fixed costs (3 million euros).

**Income Taxes** (82 million Euros) were affected by changes in fiscal law (Article 102-bis of the Tuir – Income Tax Law) that regulates the fiscal amortisations of tangible assets used in regulated activities. In particular, the portions of amortisation of these assets are deductible for an amount that is not greater than obtained by dividing the cost of the assets by their useful life, as calculated for tariff purposes by the Electricity and Gas Authority, and reducing the result by 20%. Moreover further deductions for advanced amortisations are not allowed.

Current taxes (96 million Euros) increased of 83 million Euros, while deferred taxes (+14 million Euros) dropped by 93 million Euros.

The **Net financial debt** came to 4,617 million Euros, a drop to 202 million Euros compared to the 31<sup>st</sup> December 2005. Long-term financial debt represented 82% of the net financial debt. The average duration of long term debt, including current portion, is around 5 years (unchanged compared to the 31<sup>st</sup> December 2005).

The leverage, or the ratio between the Net Financial debt and the net capital employed, was 52.9% (54.8% on the 31<sup>st</sup> December 2005).

**Investments** reached 95 million Euros, mainly related to the development of the transport network connected to improvements on the import system from North Africa and Russia. 84% of the investments will benefit from incentivised remuneration.

## Consolidated Financial Statements and Balance Sheet

### Consolidated Financial Statements

(million Euros)

2005		I Quarter		Change	Change %
		2005	2006		
1,800	Income from Operations	468	454	(14)	(3)
6	Other revenues and income	3	19	16	533,3
<b>1,806</b>	<b>Total Revenues</b>	<b>471</b>	<b>473</b>	<b>2</b>	<b>0,4</b>
(355)	Operating Costs	(93)	(109)	(169)	17,2
<b>1,451</b>	<b>Gross Operating Margin</b>	<b>378</b>	<b>364</b>	<b>(14)</b>	<b>(3,7)</b>
(476)	Amortisation and Depreciation	(115)	(115)	0	0,0
<b>975</b>	<b>Operating Profit</b>	<b>263</b>	<b>249</b>	<b>(14)</b>	<b>(5,3)</b>
(104)	Net Financial Expenditure	(24)	(40)	(16)	66,7
<b>871</b>	<b>Pre-Tax profit</b>	<b>239</b>	<b>209</b>	<b>(30)</b>	<b>(12,5)</b>
(347)	Income Tax	(92)	(82)	10	(10,9)
<b>524</b>	<b>Net Profit</b>	<b>147</b>	<b>127</b>	<b>(20)</b>	<b>(13,6)</b>

### Balance Sheet

(million Euros)

	31/12/2005	31/03/2006	Change
Tangible Assets	9,575	9,537	(38)
Intangible Assets	53	49	(4)
Net debt for investment activities	(205)	(168)	37
<b>Fixed Assets</b>	<b>9,423</b>	<b>9,418</b>	<b>(5)</b>
<b>Net working capital</b>	<b>(601)</b>	<b>(667)</b>	<b>(66)</b>
<b>Staff benefit fund</b>	<b>(27)</b>	<b>(28)</b>	<b>(1)</b>
<b>Capital employed</b>	<b>8,795</b>	<b>8,723</b>	<b>(72)</b>
<b>Net Equity</b>	<b>3,976</b>	<b>4,106</b>	<b>130</b>
<b>Net Financial debt</b>	<b>4,819</b>	<b>4,617</b>	<b>(202)</b>
<b>Cover</b>	<b>8,795</b>	<b>8,723</b>	<b>(72)</b>

## Covenants

Snam Rete Gas has entered into financing agreements with banks which call for the upholding of some financial ratios generally based on the consolidated balance sheet of Eni Group. As at March 31, 2006, financial debts subjects to these covenants amounted to 17 million Euros (23 million Euros at 31<sup>st</sup> December 2005). The limits have been respected.