

SNAM RETE GAS 2007 FIRST HALF AND SECOND QUARTER RESULTS

First half

- Gas injected into the transportation network: 41.89 billion cubic metres, -10.0% vs the first half of 2006
- Transportation revenue: €869 million, +0.3% vs the first half of 2006
- Operating profit: €471 million, -0.2% vs the first half of 2006; adjusted operating profit*: +0.6% vs the first half of 2006
- Profit: €222 million, -7.5% vs the first half of 2006; adjusted profit*: -6.7% vs the first half of 2006
- Investments: €290 million, +29.5% vs the first half of 2006
- Proposed interim dividend €0.08 per share, in line with international reporting best practice

San Donato Milanese, 25 July 2007. The Board of Directors of Snam Rete Gas S.p.A. yesterday approved the (unaudited) 2007 first half and second quarter results.

Carlo Malacarne, CEO of Snam Rete Gas, commented:

“The 2007 first half results confirm the company’s solid operating performance, despite the negative impacts of mild weather conditions. The company’s important four year € 4.2 billion investment plan continues as scheduled, ensuring we will be able to meet future demand for new transportation capacity and ultimately create value for our shareholders. The proposed interim dividend to be paid in October demonstrates the company’s commitment to providing attractive cash returns for shareholders”.

Second quarter			First half			
2006	2007		2006	2007	Change	Change%
Key operating and financial figures						
21.63	18.35	Natural gas injected into the National Gas Pipeline Network (billions of cubic metres)	46.52	41.89	(4.63)	(10.0)
0.87	0.61	Regasification of liquefied natural gas (LNG) (billions of cubic metres)	1.81	1.30	(0.51)	(28.2)
30,757	30,905	Gas Pipeline Network (kilometres in use)	30,757	30,905	148	0.5
223	227	Operating profit (€m)	472	471	(1)	(0.2)
113	104	Profit (€m)	240	222	(18)	(7.5)

* Adjusted profit is profit net of non-recurring transactions.

Highlights – First half of 2007

Financial

- ❖ transportation revenue: €869 million (+0.3%); the increase is mainly due to incentives received for investments (+€ 40 million), partially offset by smaller volumes transported (-€ 30 million) and the updating of the transportation tariffs (-€5 million)
- ❖ decrease in recurring variable costs: down €6 million for fuel gas and controllable fixed costs (€1 million: down 2.9% in real terms)
- ❖ adjusted profit: €221 million: down €16 million. The decrease is due to the higher net financial expenses (€20 million), partially offset by the higher operating profit (up €3 million), and lower income taxes (down €1 million). Adjusted EPS was €0.124, up 1.6% vs. the first half of 2006
- ❖ net financial debt: €5,734 million; up €479 million vs. 31 December 2006. Leverage (debt/debt+equity): 63.5% vs. 58.7% at 31 December 2006

2007 interim dividend in line with international reporting best practice

As communicated to the market on 21 February 2007 and on the basis of the financial results achieved for the first half of 2007, the CEO of Snam Rete Gas will propose the distribution of an interim dividend for the fiscal year 2007 of €0.08 per share to the Board of Directors due to meet on 18th September 2007 to approve first half accounts. The interim dividend is payable on October 25th, 2007 to shareholders on the register on October 22nd 2007.

Operating

- ❖ investments: €290 million (+29.5%), 83% of which will be incentivised. Capital expenditure mainly relates to development of the transportation network. The main project is the upgrading of the import system from North Africa.
- ❖ gas injected into the transportation network -4.63 billion cubic metres (-10.0%); the decrease is due to lower consumption by the residential sector due to milder weather conditions, only partially offset by the increase in gas demand of the thermoelectric sector and lower volumes of gas injected into the storages.

Outlook

- ❖ despite the fact that 2007 has been negatively impacted by the mild weather, gas demand is expected to grow at an annual average rate of more than 2% in the four years from 2007 to 2010, due to expected higher demand from the thermoelectric sector
- ❖ The company confirms the commitment to investing in transportation capacity to meet further growth with expected capital expenditure for 2007 exceeding €700 million.

Highlights – second quarter 2007

financial

- ❖ transportation revenue €418 million (-0.7%), the decrease is mainly due to smaller volumes of gas transported

operating

- ❖ investments: €197 million (+52.7%)
- ❖ gas injected into the transportation network: -3.28 billion cubic metres (-15.2%); the decrease is mainly due to lower volumes of gas injected into the storages

Disclaimer

This press release includes forward-looking statements, especially in the section on the group's outlook. Such statements by their very nature are subject to risk and uncertainty as they depend on the fact that certain events and developments will take place. The actual results may differ from those communicated due to different reasons, such as foreseeable trends in demand, offer and natural gas prices, the effect of new energy and environment legislation, the successful development and implementation of new technologies, changes in the stakeholders' expectations and other changes in business conditions.

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This press release and the unaudited 2007 second quarter report are also posted on the company's website www.snamretegas.it.

Summary of the results for the first half of 2007

Profit for the first half of 2007 amounts to €222 million, down €18 million (7.5%) compared to the same period of 2006, due to a decrease in the operating profit (€1 million) and higher net financial expense (€20 million). The €3 million decrease in income taxes is mainly due to the lower profit before tax. Excluding the effect of the non-recurring transactions¹ during the first half of 2006 and 2007, the profit decreased by €16 million, due to the higher net financial expense (€20 million), partially offset by the higher operating profit (€3 million) and lower income taxes (€1 million).

The **operating profit**² recorded for the first half of 2007 amounts to €471 million, down €1 million on the same period of 2006. Excluding the effect of non-recurring transactions recognised in the first half of 2006 and 2007, the operating profit increased by €3 million, mainly due to: (i) the increase in transportation revenue (€5 million, net of the items netted against costs), positively affected by investment incentives (+€40 million) and negatively impacted by lower gas volumes transported (-€30 million) and the updating of transportation tariffs (-€5 million); (ii) the decrease in operating costs (€7 million, net of the items netted against revenue) due to the decrease in variable costs (€6 million), principally attributable to the purchase of fuel gas used by the compression stations and to the decrease in controllable fixed costs (€1 million); and (iii) lower accruals to the provisions for risks and charges (€2 million). These positive factors were partially offset by the higher depreciation and amortisation charges following the roll out of new transportation infrastructures during the period (€11 million).

Income taxes (€149 million) decreased by €3 million compared to the same period of 2006, mainly due to the lower profit before taxes.

Net financial debt amounted to €5,734 million, an increase of €479 million on 31 December 2006. The net cash flows from operating activities (€548 million) covered part of the payments for the repurchase of treasury shares during the six months (€336 million), payment of the ordinary 2006 dividend (€334 million) and for net investments (€357 million).

Long-term financial liabilities of €4,102 million made up 72% of net financial debt.

¹ The non-recurring transactions of the first half of 2006 related to recognition of income following the positive outcome of a dispute with third parties (+€19 million) and payment of termination benefits to employees (-€13 million). They affected the operating profit and profit for the period by +€6 million and +€3 million respectively. The non-recurring transactions of the first half of 2007 related to the changes made to the legislation governing the Italian "TER", ie the benefits to which employees of Italian companies are entitled upon termination of employment for any reason whatsoever, introduced by the 2007 Finance Act. They affected the operating profit and profit for the period by +€2 million and +€1 million, respectively.

² The operating profit is analysed by considering only those elements that have led to a change therein as application of the gas sector tariff regulations generate costs and revenue which are netted.

Summary of the results for the second quarter of 2007

Profit for the second quarter of 2007 amounts to €104 million, down €9 million (-8%) compared to the same period of 2006, due to the higher net financial expense (€11 million) and higher income taxes (€2 million), partially offset by the increase in the operating profit (€4 million).

The **operating profit** recorded for the second quarter of 2007 amounts to €227 million, up €4 million or 1.8% on the same period of 2006. This increase is mainly due to: (i) the decrease in operating costs (€9 million, net of the items netted against revenue), due to the lower variable costs related to the purchase of fuel gas used by the compression stations and lower fixed personnel expenses due to non-recurring transactions (€3 million); and (ii) lower accruals to the provisions for risks and charges (€2 million). These positive factors were partially offset by: (i) lower transportation revenue (€3 million, net of the items netted against costs), negatively affected by the decrease in gas volumes transported (-€21 million) and positively affected by investment incentives (+€20 million); and (ii) higher depreciation and amortisation charges (€7 million) following the roll out of new transportation infrastructures during the period.

Other information

2006-2008 stock option plan: 2007 assignment approved

The board of directors implemented the resolution passed by the shareholders during their meeting of 27 April 2006 and defined the methods and conditions for the 2007 assignment of the 2006-2008 stock option plan. It also approved the related regulatory framework. Specifically, and as proposed by the Compensation Committee, the Board of Directors set the maximum number of options for the purchase of a corresponding number of Snam Rete Gas treasury shares as 2,350,000 to be assigned to a maximum of 20 managers (holding key positions and with a strategic interest) of the company and its subsidiaries. The options may be exercised three years after their assignment and over the three subsequent years at a price of €4.322, equal to the higher of the average official price on the stock exchange in the month preceding the date of assignment of the options and the average cost of treasury shares in portfolio on the day before the assignment date.

The number of options that can be exercised will be decided by the Board of Directors before March 2010. It may vary from 0% to 100% of those assigned, depending on the Snam Rete Gas' Total Shareholder Return (TSR) compared to that of another six European utilities for the three years from 2007 to 2009.

Covenants

Snam Rete Gas has entered into loan agreements with banks which involve compliance with certain financial ratios. These are mainly based on Eni group's consolidated financial statements. At 30 June 2007, there were no financial liabilities subject to these covenants (31 December 2006: €6 million).

Consolidated income statement, balance sheet and cash flow statement (*)

Income statement

Second quarter		First half		Change	Change %
2006	2007	2006	2007		
430	426	884	886	2	0.2
1	1	20	1	(19)	(95.0)
		19		(19)	(100.0)
431	427	904	887	(17)	(1.9)
(96)	(81)	(205)	(178)	27	(13.2)
(1)	2	(13)	2	15	
335	346	699	709	10	1.4
(112)	(119)	(227)	(238)	(11)	4.8
223	227	472	471	(1)	(0.2)
(40)	(51)	(80)	(100)	(20)	25.0
183	176	392	371	(21)	(5.4)
(70)	(72)	(152)	(149)	3	(2.0)
	(1) including: non-recurring	(3)	(1)	2	(66.7)
113	104	240	222	(18)	(7.5)

(*) The profit is totally attributable to the shareholders of Snam Rete Gas.

Balance sheet

31.03.2007	31.12.2006	30.06.2007	Change
9,680	9,715	9,745	30
47	48	49	1
(112)	(236)	(148)	88
9,615	9,527	9,646	119
(629)	(539)	(594)	(55)
(35)	(34)	(29)	5
8,951	8,954	9,023	69
3,583	3,699	3,289	(410)
5,368	5,255	5,734	479
8,951	8,954	9,023	69

Cash flow statement

	(€m)	
	First half	
31.03.2007	2006	2007
118 Profit	240	222
<i>Adjusted by:</i>		
122 - Amortisation, depreciation and other non-monetary items	242	238
125 - Interest and income taxes	236	249
365 Cash flow from operating activities before changes in working capital	718	709
16 Change in working capital due to operating activities	68	96
(47) Interest and income taxes paid	(246)	(257)
334 Net cash flows from operating activities	540	548
(82) Investments in property, plant and equipment and intangible assets	(204)	(269)
Disinvestments	3	
(124) Net payables related to investing activities	(64)	(88)
128 Free cash flow	275	191
113 Change in financial payables	208	479
(241) Cash flows of equity	(483)	(670)
0 Net cash flows for the period	0	0
128 Free cash flow	275	191
(241) Cash flows of equity	(483)	(670)
(113) Change in net financial debt	(208)	(479)

(*) The consolidated income statement, balance sheet and cash flow statement have not been audited. The key caption of the reclassified schedules can easily be reconciled to those of the legally-required format using the same methods applied for the 2006 Annual Report.