

SNAM RETE GAS ANNOUNCES RESULTS FOR THE THIRD QUARTER AND THE FIRST NINE MONTHS OF 2007

First nine months

- **transportation revenue €1,283 million +0.6%**
- **operating profit €702 million +3.4%; adjusted operating profit* +4.0% vs the first nine months of 2006**
- **net profit €328 million -3.2%; adjusted net profit* -2,7% vs the first nine months of 2006**
- **investments: €468 million +17.0%**
- **gas injected into the transportation network 58.87 billions of cubic metres -10.2%**

Antonio Paccioretti, Chief Financial Officer, appointed as the manager responsible for the preparation of financial reports

San Donato Milanese, 29 October 2007. Snam Rete Gas S.p.A. announces its results for the third quarter and first nine months of 2007 (unaudited), today approved by the Board of Directors.

Carlo Malacarne, CEO of Snam Rete Gas commented:

“The company’s good operating performance in the third quarter of 2007 delivered a 7% rise in net profit. This has partly compensated the decrease in the profit for the first six months which had been adversely affected by the mild weather conditions.

The roll out of the programmed investments will enable the company to continue this positive trend in the last quarter of the year.”

Third quarter			First nine months			
2006	2007		2006	2007	Change	Change %
Key operating and financial figures						
19,02	16,98	Natural gas injected into the National Gas Pipeline Network (billions of cubic metres)	65,54	58,87	(6,67)	(10,2)
0,53	0,49	Regasification of liquefied natural gas (LNG) (billions of cubic metres)	2,34	1,79	(0,55)	(23,5)
30,784	30,951	Gas Pipeline Network (kilometres in use)	30,784	30,951	167	0,5
207	231	Operating Profit (€m)	679	702	23	3,4
99	106	Net Profit (€m)	339	328	(11)	(3,2)

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

Highlights – First nine months of 2007

Financial

- ❖ transportation revenue: €1,283 million (+0.6%); the increase is principally attributable to incentives received for investments (+€ 59 million), partially offset by lower volumes transported, mainly due to the milder weather conditions in the first few months of the year (-€43 million) and the updating of transportation tariffs (-€7 million)
- ❖ decrease in recurring variable costs (€12 million), mainly for fuel gas, and controllable fixed costs (€2 million, - 3.2% in real terms)
- ❖ adjusted operating profit: € 700 million +€ 27 million. The increase is mainly due to the result of higher transportation revenue (€11 million) and the decrease in operating costs (€14 million)
- ❖ adjusted net profit: €327 million -€9 million. The decrease is mainly due to the higher net financial expense (€33 million), partially offset by the higher operating profit (€27 million)
- ❖ adjusted EPS €0.184 +5.1% vs the first nine months of 2006
- ❖ net financial debt: €5,618 million; +€363 million vs 31 December 2006. Leverage (debt/debt+equity): 62.4% vs. 58.7% at 31 December 2006

Operating

- ❖ investments: € 468 million (+17.0%), 84% of which will be incentivised. Capital expenditure outlays 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 -6.67 billion cubic metres (-10.2%); the decrease is due to lower consumption by the residential sector following milder weather conditions in the first few months of the year, 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 the first nine months of 2007 have been negatively affected by the mild weather conditions on residential consumption, gas demand is expected to grow by more than an average 2% in the four years from 2007 to 2010, due to estimated higher demand from the thermoelectric sector
- ❖ the company confirms its commitment to investing in transportation capacity to meet further growth with capital expenditure for 2007 expected to exceed €700 million

Highlights – third quarter 2007

Financial

- ❖ transportation revenue €414 million (+1.2%); the increase is mainly due to incentives received for investments made in 2005
- ❖ net profit: €106 million (+7.1%)

Operating

- ❖ investments: €178 million (+1.1%)
- ❖ gas injected into the transportation network: -2.04 billion cubic metres (-10.7%); the decrease is mainly due to lower volumes of gas injected into the storages

Appointment of the manager responsible for the preparation of financial reports

The Board of Directors of Snam Rete Gas today appointed Antonio Paccioretti as the Manager responsible for the preparation of financial reports pursuant to article 154-*bis* of Legislative Decree no. 58/1998 with the approval of the Board of Statutory Auditors and verified that he has the necessary professional requirements required by the by-laws in accordance with the law. The Board of Directors ascertained the adequacy of the powers and means available to this Manager to carry out his duties. Antonio Paccioretti is the company's Chief Financial Officer.

The figures and information given in this press release are taken from the company's third quarter report at 30 September 2007 published concurrently with this document. The quarterly report includes the certification rendered by the manager responsible for the preparation of financial reports pursuant to the requirements of paragraph 2, article 154 - bis of the Legislative Decree no. 58/1998.

Disclaimer

This press release includes forward-looking statements, especially in the section on the group's outlook about future gas demand, investment plans and future performance. 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, general macro-economic conditions, 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 third quarter report are also posted on the company's website www.snamretegas.it.

Summary of the results for the first nine months of 2007

The **Net profit** for the first nine months of 2007 (€328 million) decreased by €11 million (3.2%) compared to the same period of 2006 due to the higher net financial expense (€33 million), partly offset by the greater operating profit (€23 million). Excluding the effect of the non-recurring transactions¹, the net profit decreased by €9 million, mainly due to the greater net financial expense (-€33 million) and greater income taxes (-€3 million), partly offset by the higher operating profit (+€27 million).

The **Operating profit**² recorded for the first nine months of 2007 amounts to €702 million, up €23 million or 3.4% on the same period of 2006. Excluding the effect of non-recurring transactions recognised in the first nine months of 2006 and 2007, operating profit increased by €27 million (4%) mainly due to:

- (i) the decrease in operating costs (+€14 million, net of the items netted against revenue) mainly due to the reduction in recurring variable costs (+€12 million), principally attributable to the purchase of fuel gas used by the compression stations (€11 million) and the decrease in controllable fixed costs (+€2 million);
- (ii) the increase in transportation revenue (€11 million, net of the items netted against costs), positively affected by investment incentives (+€59 million) and negatively impacted by lower gas volumes transported (-€43 million) and the updating of transportation tariffs (-€7 million);
- (iii) lower accruals to the provisions for risks and charges (€4 million).

These positive factors were partly offset by the higher depreciation and amortisation charges following the roll out of new transportation infrastructures during the period (€4 million).

Net financial debt amounted to €5,618 million, an increase of €363 million on 31 December 2006. The net cash flows from operating activities (€827 million) were used to cover: (i) net capital expenditure outlays (€520 million); (ii) the repurchase of treasury shares (€336 million)³; and (iii) payment of the ordinary 2006 dividend (€334 million). Resort to external funds amounted to €363 million.

Net financial debt decreased by €116 million compared to 30 June 2007.

¹ Non-recurring transactions in the first nine months of 2006 mainly related to the recognition of income following the favourable outcome of a dispute with third parties (+€19 million) and payment of termination benefits for employees (-€14 million). They affected operating profit and the net profit for the period by +€6 million and +€3 million respectively. Non-recurring transactions in the first nine months of 2007 related to the changes made to the legislation governing the Italian "TFR", 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 operating profit and the profit for the period by +€2 million and +€1 million, respectively.

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

³ The cost relates to the period from 1 January to 2 May 2007, when the buy back plan was completed.

Summary of the results for the third quarter of 2007

The **Net profit** for the third quarter of 2007 (€106 million) increased by €7 million (7.1%) compared to the same period of 2006 due to the greater operating profit (€24 million), partially offset by the higher net financial expense (€13 million) and higher income taxes (€4 million).

The **Operating profit** recorded for the third quarter of 2007 amounts to €231 million, up €24 million or 11.6% on the same period of 2006. This increase is mainly due to:

- (i) the decrease in operating costs (+€7 million, net of the items netted against revenue), mainly due to the lower recurring variable costs for the purchase of fuel gas used by the compression stations (+€4 million) and the lower controllable fixed costs (+€1 million);
- (ii) higher transportation revenue (+€6 million, net of the items netted against costs), positively affected by investment incentives (+€19 million) and negatively affected by the lower gas volumes transported (-€13 million) and the updating of transportation tariffs (-€2 million);
- (iii) lower depreciation and amortisation charge (+€7 million);
- (iv) lower accruals to the provisions for risks and charges (+€2 million).

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

Income statement

(€m)

Third quarter		First nine months		Change	Change %
2006	2007	2006	2007		
416	420	1,300	1,306	6	0.5
2	1	22	2	(20)	(90.9)
1		20		(20)	(100.0)
418	421	1,322	1,308	(14)	(1.1)
(86)	(72)	(291)	(250)	41	(14.1)
(1)		(14)	2	16	
332	349	1,031	1,058	27	2.6
(125)	(118)	(352)	(356)	(4)	1.1
207	231	679	702	23	3.4
(42)	(55)	(122)	(155)	(33)	27.0
165	176	557	547	(10)	(1.8)
(66)	(70)	(218)	(219)	(1)	0.5
		(3)	(1)	2	(66.7)
99	106	339	328	(11)	(3.2)

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

Balance sheet

(€m)

30.06.2007	31.12.2006	30.09.2007	Change
9,745	9,715	9,798	83
49	48	49	1
(148)	(236)	(156)	80
9,646	9,527	9,691	164
(594)	(539)	(661)	(122)
(29)	(34)	(31)	3
9,023	8,954	8,999	45
3,289	3,699	3,381	(318)
5,734	5,255	5,618	363
9,023	8,954	8,999	45

Cash flow statement

	(€m)	
	First nine months	
30.06.2007	2006	2007
222 Net profit	339	328
<i>Adjusted by:</i>		
238 - Amortisation, depreciation and other non-monetary components	368	355
249 - Interest and income taxes	349	373
709 Cash flow from operating activities before changes in working capital	1,056	1,056
96 Change in working capital due to operating activities	83	83
(257) Interest and income taxes paid	(293)	(312)
548 Net cash flows from operating activities	846	827
(269) Investments in property, plant and equipment and intangible assets	(374)	(440)
Disinvestments	3	
(88) Net payables related to investing activities	(47)	(80)
191 Free cash flow	428	307
479 Change in financial payables	188	363
(670) Cash flows of equity	(616)	(670)
0 Net cash flows for the period	0	0
<hr/>		
191 Free cash flow	428	307
(670) Cash flows of equity	(616)	(670)
(479) Change in net financial debt	188	363

(*) The consolidated income statement, balance sheet and cash flow statement have not been audited. The key captions 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.