

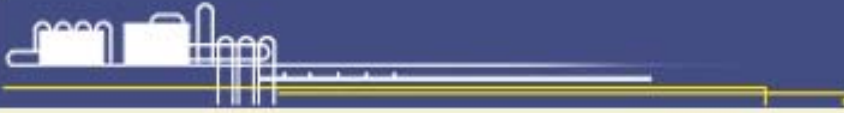


ANALYST PRESENTATION



Snalm
Rete Gas

July 30, 2002



1. Recent events

2. 2Q02 results

performance analysis with a focus on:

- **Efficiency gains**
- **Debt restructuring**

3. Next steps and coming events



Snam
Rete Gas



Latest steps and achievements

Sicilian tax

Tariff proposal for 2002-2003

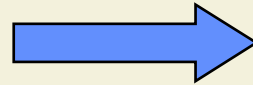
Operations: managing the new environment

Network code criteria

Incentive and loyalty plan

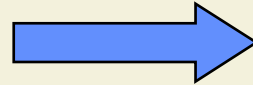


ENACTED



On 26 March, 2002

AMOUNT TO BE PAID
(TAX-EFFICIENT)



EUR 130 m p.a.

EUR 97 m in 2002

End of March

Included in Snam RG's tariff proposal

2 May

Snam RG sends a petition of reimbursement for the instalments paid as a preliminary measure to the legal dispute

End of May

The Regulator recognizes the tax as opex but it disputes legitimacy

3 July

Regulator's Delibera 120/02: the tax will be included in the tariff retroactively only when legitimacy will be fully confirmed

30 July

Snam RG undertakes both a fiscal and an administrative dispute

€m	Gas year 2001-02	ADJUSTMENTS FOR 2° GAS YEAR	Gas year 2002-03	Change
TRANSPORT REVENUES (*)	1603		1649	+46
From initial RAB	1603	<ul style="list-style-type: none"> • 2001 inflation rate: 2,7% • 2001 development capex as for tariffs: 215 €m • Volume growth: 2,5% 	1622	+19
Capacity	1115		1122	+7
Commodity	488		500	+12
From new investment	-		27	+27
Capacity	-		16	+16
Commodity	-		11	+11

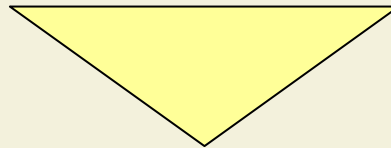
(*) Revenues do not include:

- cost recovery of Sicilian tax;
- modulation service as it is a pass-through cost.



Snam RG:

- **Interfacing new complex requirements**
 - **Facilitating growth and development of the system**
-
- **Over 3,000 requests for capacity increases**
 - **1,200 operations between transfers and trades**
 - **600 shared city-gates**



**Information technology crucial
in the new environment**

**THE "BACHECA": A DEDICATED PLATFORM FOR
CAPACITY EXCHANGES AT "www.snamretegas.it"**



**NETWORK CODE CRITERIA
AUTHORITY RESOLUTION 137/02**

ASSIGNMENT OF CAPACITY

- **Priority to “take-or-pay” ante 1998 and to long term contracts**
- **Max 5 year contracts**
- **Access refused by SRG: direct intervention by shippers granted special rights**

**PRINCIPLES AND RULES
FOR NETWORK CODE**

- **Energy balancing regime and penalties**
- **Financials guarantees**
- **Trading of gas and capacity**



IN LINE WITH CURRENT PRACTICE



INCENTIVE AND LOYALTY PLAN

Beneficiaries: 15 key-managers

Three-year period: 2002-2004

STOCK OPTIONS

- **Max. number of shares to be issued: 608,500**
(0.03% of outstanding shares)
- **Strike price: EUR 2.977**
- **Exercise period: 5 years from 2005 onwards**

STOCK GRANTS

- **Max. number of shares to be issued: 121,700**
(0.006% of outstanding shares)
- **Number of shares assigned depending on Snam RG ranking in terms of TSR**
- **Panel of 8 comps: 4 Italian + 4 European utility stocks**



2Q 2002			1H 2002
18.3	VOLUMES	(bcm)	39.3
439	REVENUES	(Mln €)	900
203	EBIT	(Mln €)	419
105	NET PROFIT	(Mln €)	226
106	CAPEX	(Mln €)	165
28	FREE CASH FLOW	(Mln €)	349
	HEADCOUNT	(at end of June)	2,710
	LEVERAGE (D/D+E)	(at end of June)	42%



bcm

	1H 2001	1H 2002	Change
Domestic gas demand	37.0	38.5	+1.5
Volumes injected in Snam RG network	36.0	39.3	+3.3

Tariff reference volumes	73.1
of which:	
relevant to Snam RG	72.0

	Oct 00 Jun 01	Oct 01 Jun 02	Change
Domestic gas demand	56.0	60.0	+4.0
Volumes injected in Snam RG network	54.1	57.8	+3.7

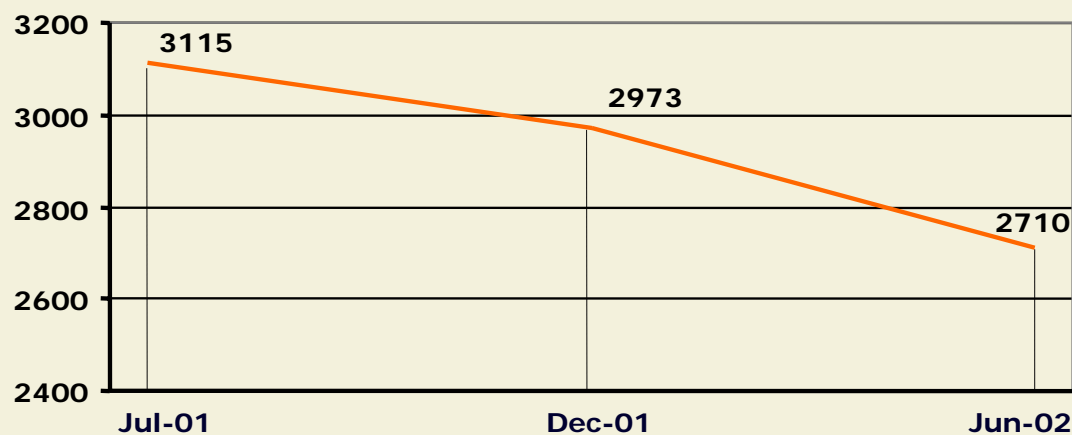
gas injected = gas demand +/- storage + export + transit



2Q 2002	€m	1H 2001	1H 2002	Change
119	TOTAL OPERATING EXPENSES	260	255	-5
113	REGULATED ACTIVITIES	214	232	+18
69	CONTROLLABLE OPEX	172	146	-26
60	Operating fixed costs	141	122	-19
9	Variable costs	31	24	-7
44	OTHER	42	86	+44
32	Sicilian tax	-	32	+32
7	Modulation services	42	21	-21
5	Pass-through costs	-	33	+33
6	NON - REGULATED ACTIVITIES	46	23	-23



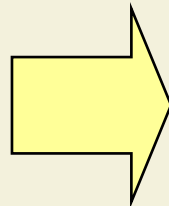
nr.	31 Dec 2001	30 Jun 2002	Change
Operations	2398	2171	-227
Business development	243	252	+9
Staff	317	273	-44
Other	15	14	-1
TOTAL (*)	2973	2710	-263



(*) Not including personnel on unpaid leave

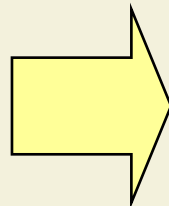


**FIRST
ACHIEVEMENTS**



- 9% FY01 over FY00
-13% 1H02 over 1H01

PROJECTS



1. **UNDERWAY**
(2001-2002-2003)
2. **STARTING**
(2002-2005)
3. **TO BE FINALIZED**
(2003-2004-2005)



	€m	
2Q 2002		1H 2002
439	TOTAL REVENUES	900
433	REGULATED REVENUES	870
422	TRANSPORT	848
9	of which	18
-6	on behalf of third parties	10
	storage tariff reduction on 4Q2001	
11	GNL	22
2	of which fuel gas	5
6	NON REGULATED REVENUES	30

33 €m
compensated
by pass-through
costs



2Q 2002	€m	1H 2002
439	Revenues (*)	900
-119	Operating expenses	-255
320	EBITDA	645
-117	Depreciation & Amortisation	-226
203	EBIT	419
-37	Net interest income (expenses)	-78
-6	Extraordinary income (expenses)	-6
160	EBT	335
-55	Income taxes	-109
105	Net profit	226

(*) Not including cost recovery of Sicilian tax



€m

	31Dec 2001		30Jun 2002
Net Invested Capital	9,396	-306	9,090
Fixed assets	9,425	-95	9,330
Tangible assets	9,338	-110	9,228
Intangible fixed assets	87	+15	102
Net working capital	-12	-212	-224
Short term receivables	463	-32	431
Short term liabilities	-475	-180	-655
Staff-leaving indemnity	-17	+1	-16
Net financial debt (cash)	4,193	-349	3,844
Shareholders' equity	5,203	+43	5,246

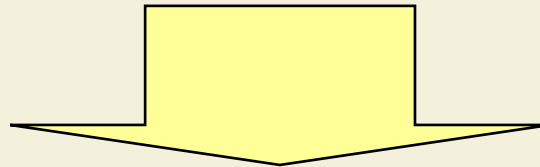


2Q 2002	€m	1H 2001	1H 2002	Change
106	TOTAL	175	165	-10
76	DEVELOPMENT	134	114	-20
54	Transportation - national	85	76	-9
21	Transportation - regional	47	37	-10
1	LNG	2	1	-1
19	MAINTENANCE	39	28	-11
11	OTHER	2	23	+21



OBJECTIVES

- Higher duration in long-term debt
- Lower interest rate volatility risk
- Better correlation between debt cost and revenues

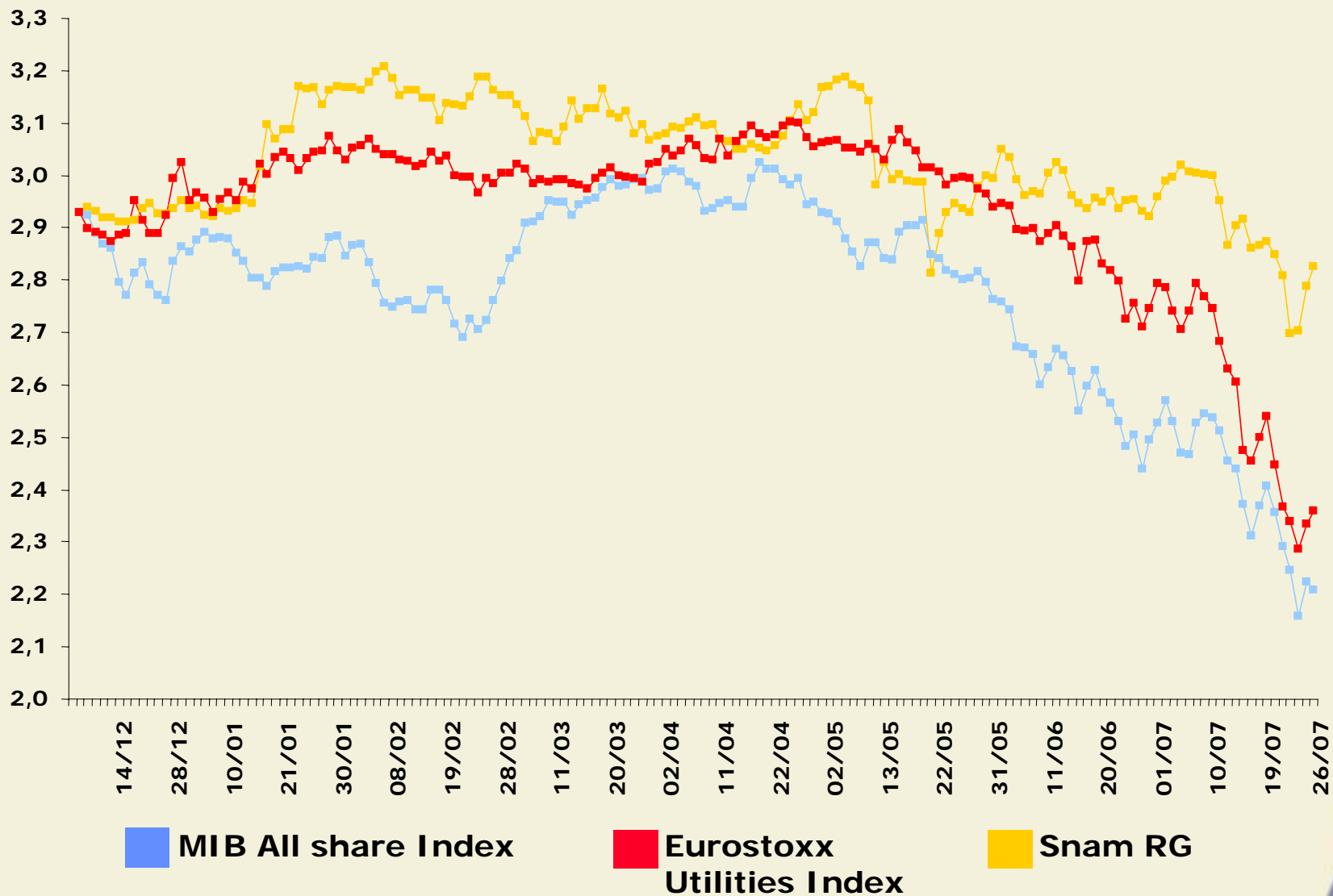


PICTURE AS OF 30 JUNE 2002

- Average duration of long-term debt: **4 years** (was 16 months at y.e.01)
- Overall exposure to floating rates: **66%** (was 92% at y.e.01)
- Breakdown of non-floating rate debt: **21% fixed-rate debt**
13% inflation-linked debt



2Q 2002	€m	1H 2002
105	Net income	226
119	Depreciation and other non-monetary items	228
61	Change in net working capital	212
1	Change in staff leaving indemnity	-1
286	Cash flow from operations	665
-75	Net investments	-133
-183	Dividends	-183
28	Free Cash Flow	349
3,872	Initial Net Financial Debt	4,193
3,844	Final Net Financial Debt	3,844





1. Promptly reacting to the release of "Network Code" guidelines

2. New long-term transport commitments (10 bcm) increasing visibility of both volumes and investments

3. A crucial time to reassess investment needs: the capacity booking process in September