



Shalm
Rete Gas

Analyst Presentation

First Half 2003

July 30, 2003



- 1H2003 operating highlights
- Approved Snam Rete Gas proposals:
 - Tariff for gas year 2003-2004
 - Network code
 - Long term capacity development
- Cost reduction: achievements and projections

- 1H2003 financial results

		H2002	H2003	%
Volumes				
consumption	(bcm)	38.5	41.2	+7,0
transported	(bcm)	39.3	39.9	+1.5
Capacity				
Transport capacity	(mcm/d)	213.2⁽¹⁾	238.7⁽¹⁾	+12.0
Development capex	(€m)	114	129	+13.2
Efficiency				
Controllable fixed costs	(€ m)	122	111	-8.8
Headcount	(No)	2,646⁽²⁾	2,512⁽¹⁾	-5.1

1) End of June
2) End of December

€m

Regulated revenues⁽¹⁾

	<u>2002-2003</u>		<u>2003-2004</u>
From Initial RAB			
Capacity	1,176	2002 inflation rate: 2.4%	1,181 ⁽³⁾
Commodity	488 ⁽²⁾	Estimated volume growth: 3%	492
New development investments	27	incremental capex: 215 €m	55
Total	1,691	+ 2.2%	1,728

- 1) Not including pass-through revenues (fuel gas for regasification, revenues on behalf of TMPC and Edison)
- 2) Volumes transported in gas year 2002-2003 estimated at 74.8bcm
- 3) Not including reduction for compensating higher than allowed revenues in gas year 2001-02

Rules and obligations for accessing and using the transport network as contractual arrangement between Snam Rete Gas and its customers

Approved by the Regulator who is arbiter in any controversy between the parties

Contents:

- Service level definition
- Access rules to transportation services
- Balancing regime principles
- Legal obligations

Benefits:

- M/L term capacity booking
- Improved efficiency in network utilization
- Improved flexibility through the National Balancing Point (NBP)
- Reduction of litigation risk

**Ministry of Industry published
Snam Rete Gas long term plan for transport capacity**

- Supports shippers' long term plans for transport capacity availability
- Facilitates authorization process and permits for new construction projects
- Supports future inclusion in tariff of Snam Rete Gas development capex, so providing more visibility on long term revenues

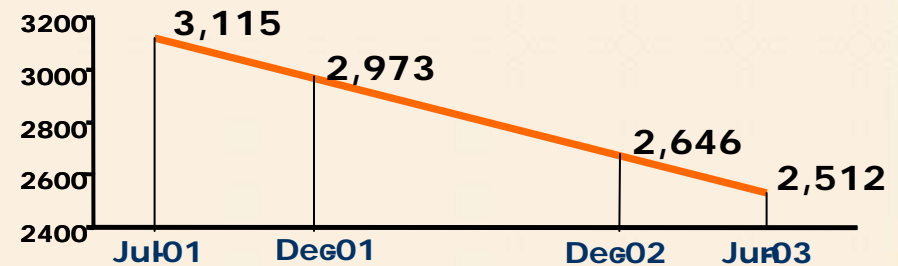
● 1H 2003 ACHIEVEMENTS

▸ Controllable fixed costs

-8.8%

(1H2003 vs 1H2002)

▸ 40% due to headcount reduction



● YEAR END PROJECTIONS

- Reduction of local operating centres (from 74 to 65)
- Scale economy on external maintenance
- Increasing multiskill competences



▸ FULL YEAR TARGET:

CONTROLLABLE FIXED COSTS SAVINGS
5÷6% (vs 2002)



Snam
Rete Gas



1H2003 Financial Results

€m

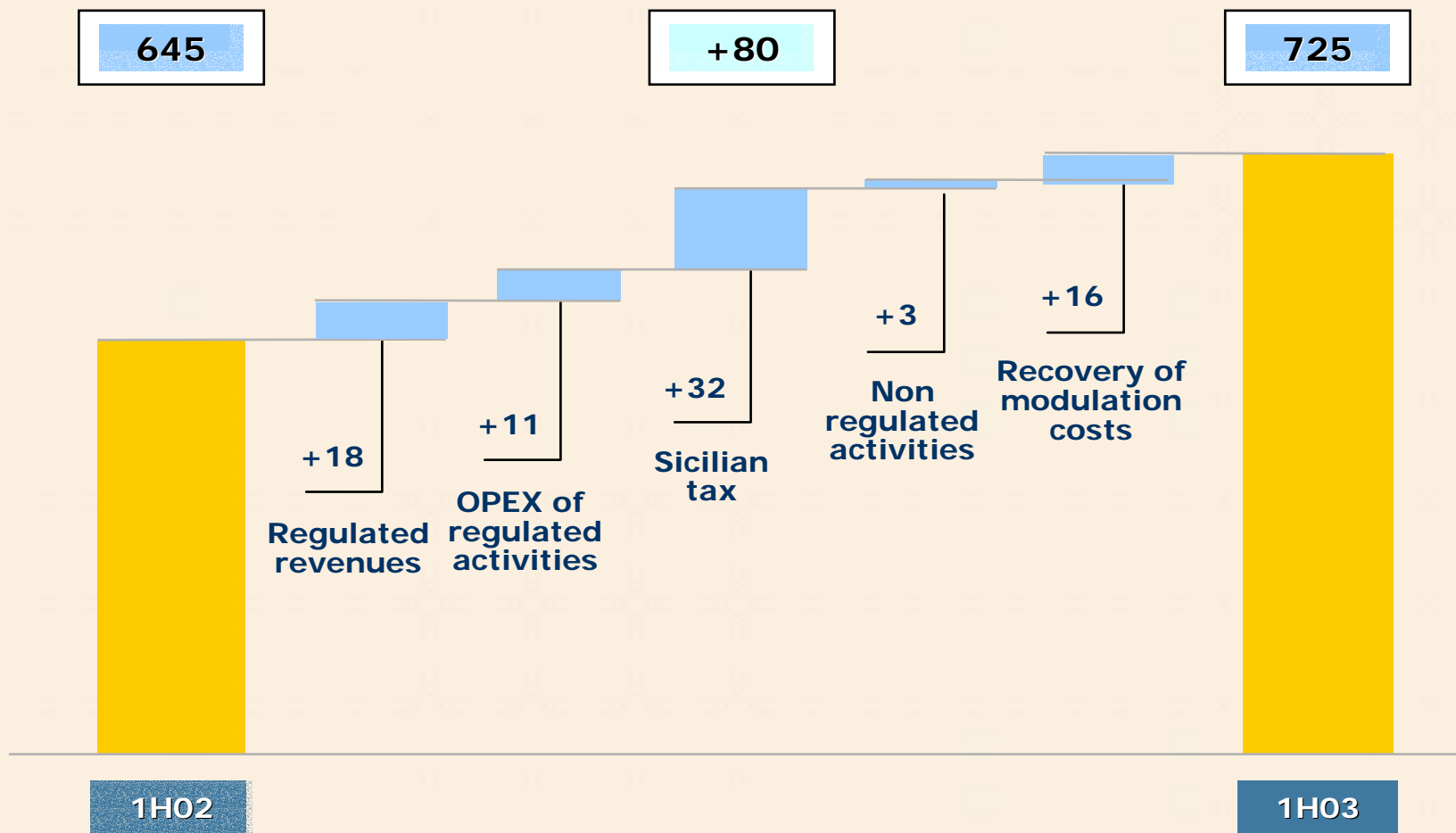
	1H02	1H03	Change
EBITDA	645	725	+80
NET PROFIT	226	259	+33
CAPEX	165	184	+19
CASH FLOW	349	191	-158

€m

	1H02	1H03	Change
Revenues	900	897	-3
Regulated revenues	870	886	+16
Non regulated revenues	30	11	-19
Operating expenses	-255	-172	+83
EBITDA	645	725	+80

+7.4% over 1H2002 net of Sicilian tax effect

€m



€m

	1H02	1H03	Change
REVENUES	900	897	-3
Regulated revenues	870	886	+16
Non regulated revenues	30	11	-19
Operating expenses	-255	-172	+83
EBITDA	645	725	+80
Depreciation & Amortisation	-226	-232	-6
EBIT	419	493	+74
Net interest income (expenses)	-78	-66	+12
Extraordinary income (expenses)	-6	1	+7
EBT	335	428	+93
Income taxes	-109	-169	-60
NET PROFIT	226	259	+33

€m

	31Dec 2002		30Jun 2003
Net Invested Capital	9,007	-245	8,762
Fixed assets	9,288	-63	9,225
Tangible fixed assets	9,182	-53	9,129
Intangible fixed assets	106	-10	96
Net working capital	-264	-181	-445
Receivables	424	-59	365
Liabilities	-688	-122	-810
Staff-leaving indemnity	-17	-1	-18
Net financial debt	3,556	-191	3,365
Shareholders' equity	5,451	-54	5,397
Leverage	39.5%	-1.1%	38.4%

€m

	1H02	1H03	Change	%
TOTAL	165	184	+19	+12%
DEVELOPMENT	114	129	+15	+13%
Transportation - national	76	85	+9	
Transportation - regional	37	42	+5	
LNG	1	2	+1	
MAINTENANCE AND OTHER	51	55	+4	+8%

€m

	1H02	1H03	Change
Net income	226	259	+33
Depreciation and other non-monetary items	222	230	+8
Change in net working capital	234	184	-50
Cash flow from operations	682	673	-9
Net investments	-150	-169	-19
Free cash flow	532	504	-28
Dividends	-183	-313	-130
Cash Flow	349	191	-158