

Press Release

Snam Rete Gas: approved the quarterly report as at March 31st 2004 closing with net profit of 135 million euro (+6.3%).

Snam Rete Gas Board of Directors today has approved the quarterly report as at March 31st, 2004, closing with net profit of 135 million euro, with an increase of 6.3% compared to the last year same period.

Snam Rete Gas Board of Directors has also taken note that the Sicilian Region, with currency May 4th 2004, has reimbursed the environmental tax first instalment of 10.8 million euro, in execution of Provincial Tax Commission of Palermo sentence. The Sicilian Region has appealed to the Regional Tax Commission of Palermo on April 2nd 2004.

Operating performance

Gas volumes injected into the national network in the first quarter 2004 (22.3 billion cubic metres) increase of 0.4 billion cubic metres, equal to 1.9 % growth compared to the previous year due to gas demand increase (+3.8%), related to some combined-cycle power stations entered into operation, partially counterbalanced by higher outflows from storage (+0.6 billion cubic metres compared to the first quarter 2003).

Income Statement

	Million euro		
	1° Quarter 2003	1°Quarter 2004	Change
REVENUE FROM ORDINARY ACTIVITIES	459	458	(1)
OTHER REVENUE AND INCOME	0	1	1
TOTAL REVENUE	459	459	0
OPERATING COSTS	(96)	(93)	3
GROSS OPERATING MARGIN	363	366	3
DEPRECIATION & AMORTIZATION	(115)	(117)	(2)
OPERATING PROFIT	248	249	1
NET FINANCIAL INCOME (EXPENSES)	(35)	(28)	7
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	213	221	8
NET EXTRAORDINARY INCOME (EXPENSES)	(2)	(1)	1
PRE-TAX INCOME	211	220	9
INCOME TAXES	(84)	(85)	(1)
NET PROFIT	127	135	8

In the first quarter 2004, **operating profit** achieves 249 million euro, with an increase of 1 million euro compared to the first quarter 2003, mainly due to (i) higher transmission

revenues due to new investments entered into operation and to increased volumes injected (8 million euro), (ii) lower costs for maintenance services (3 million euro) partially counterbalanced by higher costs for the purchase of natural gas employed in compressor stations (5 million euro), by labour cost increase (1 million euro), by higher provisions (2 million euro), and (iii) increased amortisation (2 million euro).

Net Profit (135 million euro) shows a 8 million euro growth (+6.3%) mainly due to operating profit increase (1 million euro) and lower net financial charges (7 million euro) as a result of a lower level of net average debt and interest rates.

Revenue from ordinary operations

	Million euro		
	I° Quarter 2003	I° Quarter 2004	Change
TRASMISSION	445	447	2
REGASIFICATION	10	8	(2)
REVENUE FROM REGULATED ACTIVITIES	455	455	0
OTHER REVENUES FROM ORDINARY ACTIVITIES	4	3	(1)
REVENUES FROM NON REGULATED ACTIVITIES	4	3	(1)
TOTAL REVENUES FROM ORDINARY ACTIVITIES	459	458	(1)
OTHER REVENUES AND INCOMES	0	1	1
TOTAL REVENUES	459	459	0

Revenues from ordinary activity amount to 458 million euro in the first quarter 2004 with a decrease of 1 million euro compared to the first quarter 2003, due to lower revenues from non regulated activities.

Revenues from regulated activities (455 million euro) are in line with the first quarter of previous year. Transmission revenues growth (2 million euro) is due to new development investments entered into operation in 2002 and to higher volumes injected (overall equal to 8 million euro), partially offset by lower pass-through revenues for transmission services invoiced on behalf of third parties (6 million euro). The decrease of regasification revenues (2 million euro) is due to lower use of fuel gas, that also have corresponding offset in costs.

Operating costs

	Million euro		
	I° Quarter 2003	I° Quarter 2004	Change
PURCHASES, SERVICES AND OTHER COSTS	69	65	(4)
LABOUR COST	27	28	1
Total operating costs	96	93	(3)

Operating costs (93 million euro) decrease by 3 million euro, compared to first quarter 2003, for materials and maintenance services cost reduction (-3 million euro) and for costs components that have corresponding offset in revenues (-8 million euro), counterbalanced by higher costs for the purchase of natural gas employed in compressor stations (+5 million euro), by higher provisions (+2 million euro) and by labour cost increase (+1 million euro).

Balance sheet

			(million euro)
	31/12/2003	31/03/2004	Change
TANGIBLE FIXED ASSETS	9,262	9,300	11
INTANGIBLE FIXED ASSET	89	88	(1)
NET DEBT RELATED TO INVESTMENT	(173)	(137)	36
FIXED ASSET	9,208	9,254	46
NET WORKING CAPITAL	(386)	(467)	(81)
EMPLOYEES' SEVERENCE INDEMNITY	(19)	(20)	(1)
NET CAPITAL EMPLOYED	8,803	8,676	(36)
SHAREHOLDERS' EQUITY	5,683	5,818	135
NET FINANCIAL DEBT	3,120	2,949	(171)
FINANCING	8,803	8,767	(36)

Net capital employed as at March 31st 2004, equal to 8,767 million euro, decreases by 36 million euro compared to December 31st 2003, as a consequence of the working capital reduction, mainly due to the growth of deferred tax fund, partially counterbalanced by fixed assets increase.

Investments, in the first three months of 2004, amount to 131 million euro (65 in 2003), of which 93 million euro are referred to transmission infrastructure development.

San Donato Milanese, May 10th 2004

This press release and the full text of the (unaudited) quarterly report as at March 31, 2004 are available on the site www.snamretegas.it.