



SNAM RETE GAS ANNOUNCES RESULTS FOR THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2010

San Donato Milanese, 27 October 2010 – The Snam Rete Gas Board of Directors has today approved the consolidated results for the first nine months and the third quarter of 2010 (unaudited)¹.

Financial highlights²

- **Core business revenue³: €2,289 million (+40.4%); +4.1% compared with the combined first nine months of 2009; €754 million in the third quarter (+5.8%)**
- **EBIT: €1,386 million (+64.4%); +19.5% compared with the combined first nine months of 2009; €456 million in the third quarter (+14.3%)**
- **Net profit: €827 million (+76.7%); +24.5% compared with the combined first nine months of 2009; €280 million in the third quarter (+19.7%)**
- **Investments: €991 million**

Operating highlights

- **Gas injected into the transportation network: 60.32 billion cubic metres (+9.0%); 17.26 billion cubic metres in the third quarter**
- **Number of active meters: 5.82 million (+1.4%)**

Carlo Malacarne, CEO of Snam Rete Gas, made the following comments on the results:

"The robust results of the first nine months of the year at aggregate level, which show an EBIT increase of 19.5% and a Net Income growth of 24.5% compared to the same period last year, confirm the sound operating performance and the efficient financial management of Snam Rete Gas. The continuous attention to the operating efficiency allows us to achieve our operating cost reduction target and represents a key lever for value creation.

The recently defined regulatory framework for the third period of the storage activity provides further stability and visibility to the results of the Group over coming years."

¹ This press release constitutes the quarterly report pursuant to article 154-ter of the Testo Unico della Finanza (TUF).

² Following the acquisition from Eni of Italgas and Stogit, completed on 30 June 2009, the comparative results from the first nine months of 2009 include the impact of consolidating Italgas and Stogit from the third quarter of 2009. In order to meaningfully compare the results of the two periods, these figures also show the percentage change in the financial highlights compared with the combined first nine months of 2009, which were obtained by combining the consolidated data of Snam Rete Gas, GNL Italia, Italgas and Stogit. The combined consolidated income statement and the notes to the main items can be found in "Summary of the results for the first nine months and the third quarter of 2010".

³ Net of revenue from building and upgrading distribution infrastructures, which was recognised after the application from 1 January 2010 of IFRIC 12, "Service Concession Arrangements". Core business revenue, including the impact of applying IFRIC 12, totalled €2,507 million in the first nine months (+53.8%; +14% compared with the combined first nine months of 2009) and €831 million in the third quarter of 2010 (+16.5%). More information on the accounting effects of this interpretation can be found in the "Basis of presentation and accounting principles" section of the half-year report at 30 June 2010.



Financial highlights

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
713	831	Core business revenue	1,630	2,507	877	53.8
713	754	Core business revenue net of effects of IFRIC 12	1,630	2,289	659	40.4
148	214	Operating costs	375	644	269	71.7
148	137	Operating costs net of effects of IFRIC 12	375	426	51	13.6
399	456	EBIT	843	1,386	543	64.4
234	280	Net profit (*)	468	827	359	76.7
0.07	0.08	Net profit per share (**)	(€) 0.20	0.24	0.04	20.0
0.12	0.14	EBIT per share (**)	(€) 0.36	0.41	0.05	13.9
343	359	Investments	781	991	210	26.9
3,375.4	3,376.2	Number of shares outstanding at the end of the period	(millions) 3,375.4	3,376.2	0.8	
3,375.4	3,376.2	Average number of shares outstanding during the period	(millions) 2,311.0	3,376.1	1,065.1	46.1

(*) Net profit is attributable to Snam Rete Gas.

(**) Calculated considering the average number of shares outstanding during the period.

EBIT

EBIT for the first nine months of 2010 was €1,386 million, an increase of €543 million, or 64.4%, compared with the first nine months of 2009. The increase was due essentially to higher EBIT from the natural gas distribution and storage business segments (+€235 million and +€131 million respectively), which, at constant consolidation scope, benefited in the first nine months of 2010 from the impact of consolidating Italgas and Stogit, against a contribution recorded in the same period of last year for three months from 30 June 2009, the date on which the acquisition of the two companies was completed, and the significant improvement in the performance of the transportation business segment (+€174 million, or 25.1%). EBIT in this segment rose primarily as a result of reduced operating costs owing to payment in kind of gas used in the transportation business, as well as lower amortisation and depreciation.

In the third quarter of 2010, EBIT amounted to €456 million, an increase of €57 million, or 14.3%, compared with the third quarter of 2009, owing mainly to the improved performance of the natural gas transportation (+€34 million, or 13.6%) and distribution (+€18 million, or 16.4%) business segments. The natural gas regasification and storage segments generated EBIT of €2 million and €42 million respectively, an increase of €1 million (+100%) and €4 million (+10.5%) on the same period in the previous year.

Net profit

Net profit for the first nine months of 2010 totalled €827 million, an increase of €359 million, or 76.7%, compared with the first nine months of 2009. This rise was due to higher EBIT (+€543 million) and increased income from equity investments (+€24 million), relating mainly to the portion attributable to the net profit for the period of equity-accounted investments. These factors were partially offset by an increase in income taxes (-€172 million), due mainly to higher pre-tax profits, and an increase in net financial expense (-€36 million), owing essentially to the impact of consolidating Italgas and Stogit and to financing the acquisition of the two companies, partially mitigated by a reduction in the average cost of borrowing.

Net profit for the third quarter of 2010 was €280 million, an increase of €46 million, or 19.7%, compared with the third quarter of 2009. The increase was due primarily to higher EBIT (+€57 million), partially offset by an increase in income taxes (-€14 million) owing to higher pre-tax profits. Income taxes were



reduced by €6 million as a result of the so-called Tremonti-ter rules, which grant tax breaks to investments in certain categories of machinery and equipment.

Investments

Investments in the first nine months of 2010 amounted to €991 million (€359 million in the third quarter of 2010) and related to the natural gas transportation and regasification (€593 million), distribution (€232 million) and storage (€166 million) business segments.

Net financial debt

Net financial debt⁴ amounted to €9,894 million, a reduction of €55 million compared with 31 December 2009 and €143 million compared with 30 June 2010.

Leverage

The leverage ratio (net financial debt/net invested capital) is 63.5% (63.6% at 31 December 2009).

Operating highlights

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
		Natural gas transportation (a)				
17.24	17.26	Natural gas injected into the national gas transportation network (billions of cubic metres) (b)	55.34	60.32	4.98	9.0
31,557	31,577	Transportation Network (kilometres in use)	31,557	31,577	20	0.1
		Liquefied Natural Gas (LNG) regasification (a)				
0.19	0.42	LNG regasification (billions of cubic metres)	0.83	1.53	0.70	84.3
		Natural gas distribution (a)				
5.74	5.82	Active meters (millions)	5.74	5.82	0.08	1.4
1,441	1,449	Distribution concessions (number)	1,441	1,449	8	0.6
49,625	50,115	Distribution network (kilometres)	49,625	50,115	490	1.0
		Natural gas storage (a)				
8.90	9.20	Available storage capacity (billions of cubic metres) (c)	8.90	9.20	0.30	3.4
3.00	3.03	Natural gas moved through the storage system (billions of cubic metres)	13.35	11.68	(1.67)	(12.5)
6,231	6,078	Employees in service at end of period (number)	6,231	6,078	(153)	(2.5)
		<i>by business segment:</i>				
2,215	2,629	- Transportation	2,215	2,629	414	18.7
89	69	- Regasification	89	69	(20)	(22.5)
3,621	3,150	- Distribution	3,621	3,150	(471)	(13.0)
306	230	- Storage	306	230	(76)	(24.8)

- (a) Gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1, 38.9 and 39.4 MJ/SCM respectively for the businesses of natural gas transportation and regasification, distribution and storage.
- (b) The figures for the first nine months of 2010 are current as of 11 October 2010.
- (c) Working gas capacity for modulation, mining and balancing services.

⁴ Information on the breakdown of the group's net financial debt can be found on page 25.



Natural gas injected into the national transportation network

The volumes of natural gas injected into the national transportation network (60.32 billion cubic metres in the first nine months of 2010 and 17.26 billion cubic metres in the third quarter of 2010) rose by 4.98 billion cubic metres (+9.0%) and 0.02 billion cubic metres respectively in the first nine months and the third quarter. The increase was due essentially to a recovery in natural gas demand in Italy in the first nine months of the year (+7.6% compared with the same period in 2009) and the positive balance between injections into (+) and withdrawals from (-) the gas storage system.

Liquefied Natural Gas (LNG) regasification

The volumes of LNG regasified totalled 1.53 billion cubic metres in the first nine months of 2010 (+0.70 billion cubic metres, or 84.3%, compared with the first nine months of 2009) and 0.42 billion cubic metres in the third quarter of 2010 (+0.23 billion cubic metres compared with the third quarter of 2009).

Natural gas distribution

At 30 September 2010, there were 5.82 million active meters at end-customer gas redelivery points, an increase of 1.4% on 30 September 2009 and 0.87% on 31 December 2009.

Natural gas storage

The volume of natural gas moved through the group's storage system in the first nine months of 2010 totalled 11.68 billion cubic metres, down by 1.67 billion cubic metres, or 12.5%, compared with the same period in the previous year. The reduction was due to the significant withdrawal of gas from storage following the Russian supply crisis of January 2009, and to the resulting increase in injection to compensate for the volumes supplied in the first few months of last year. In the third quarter of 2010, a total of 3.03 billion cubic metres of gas was moved through the storage system, an increase of 0.03 billion cubic metres compared with the third quarter of 2009.

The available storage capacity at 30 September 2010 was around 9.2 billion cubic metres, an increase of 3.4% compared with 30 September 2009.

Outlook

Transportation and regasification

Gas demand in Italy

Taking into account consumption trends in the first nine months of 2010, and on the basis of information currently available, the demand for natural gas by the end of 2010 is expected to be slightly above 80 billion cubic metres (78 billion cubic metres in 2009).

Investments

The 2010-2013 infrastructure development and maintenance investment programme, for which expenditure in 2010 is expected to be in line with the previous year (€933 million), is continuing as scheduled.

Distribution

Based on the development action taken, the number of active redelivery points at the end of 2010 is expected to increase slightly compared with the previous year (5.8 million users in 2009).

Storage

The total capacity for natural gas storage services at the end of 2010 is expected to be in line with the capacity made available in the first nine months of the year.



This press release detailing the group's consolidated results for the first nine months and the third quarter of 2010 (unaudited) constitutes the quarterly report pursuant to article 154-ter of the Testo Unico della Finanza (TUF).

The income statement information provided relates to the first nine months and the third quarter of 2010 and to the first nine months and the third quarter of 2009, while the balance sheet information supplied refers to 30 September 2010, 30 June 2010 and 31 December 2009. The accounting statements are presented in the same format as those included in the directors' report in the consolidated half-year report and the directors' report in the annual report.

The financial statements were compiled in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The recognition and measurement criteria adopted to prepare the interim directors' report at 30 September 2010 are the same as those used to compile the 2009 annual report, which should be referred to for their description, except for the international accounting standards that entered into force on 1 January 2010, which are illustrated in the "Accounting standards and interpretations issued by the IASB/IFRIC" section of the 2009 annual report. In particular, with regard to the activities carried out by the group, the provisions of IFRIC 12, "Service Concession Arrangements", are applied as of 2010. This interpretation defines the recognition and measurement criteria which should be adopted for arrangements between the public and private sectors relating to the concession development, financing, management and maintenance of infrastructures. Further information on the application of this interpretation, which did not have an impact on the income statement, can be found in the "Measurement criteria and accounting standards" section of the half-year report at 30 June 2010.

Pursuant to paragraph 2, article 154-bis of the TUF, the CFO, Antonio Paccioretti, states that the accounting information included in this press release corresponds to documents, accounting ledgers and other records.

Disclaimer

This press release includes forward-looking statements, especially in the "Outlook" section, relating to: natural gas demand, investment plans, future operating performance and project execution. Such statements are, by their very nature, subject to risk and uncertainty as they depend on the fact that certain events and developments will take place. The actual results can therefore differ from those forecast, as a result of several factors, including: foreseeable trends in the demand, supply and price of natural gas; actual operating performance; general macro-economic conditions; the effect of new energy and environmental legislation; the successful development and implementation of new technologies; changes in stakeholders' expectations; and other changes in business conditions.



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This press release relating to the consolidated results at 30 September 2010 (unaudited) is also available on the Snam Rete Gas website at www.snamretegas.it.



Summary of the results for the first nine months and the third quarter of 2010

INCOME STATEMENT

(€million)

Third quarter		First nine months			
2009	2010	2009	2010	Change	Change %
713	831	1,630	2,507	877	53.8
8	6	10	17	7	70.0
721	837	1,640	2,524	884	53.9
(148)	(214)	(375)	(644)	(269)	71.7
573	623	1,265	1,880	615	48.6
(174)	(167)	(422)	(494)	(72)	17.1
399	456	843	1,386	543	64.4
(70)	(68)	(161)	(197)	(36)	22.4
14	15	14	38	24	
343	403	696	1,227	531	76.3
(109)	(123)	(228)	(400)	(172)	75.4
234	280	468	827	359	76.7

(*) The items for 2010 include the effects of applying international accounting standard IFRIC 12, "Service Concession Arrangements". Applying this interpretation had no effect on the group's results, except for the equal recognition of revenue and costs relating to building and upgrading distribution infrastructures (€218 million and €77 million in the first nine months and the third quarter of 2010 respectively).

(**) Net profit is attributable to Snam Rete Gas.

EBIT

EBIT in the first nine months of 2010 totalled €1,386 million, an increase of €543 million, or 64.4%, compared with the first nine months of 2009. The increase was due essentially to: (i) higher EBIT from the natural gas distribution and storage business segments (+€235 million and +€131 million respectively), which benefited in the first nine months of 2010 from the impact of consolidating Italgas and Stogit, with a combined contribution of €514 million, against a contribution of €148 million recorded in the same period of last year for the three months from 30 June 2009, the date on which the acquisition of the two companies was completed; (ii) the significant improvement in the performance of the transportation business segment (+€174 million, or 25.1%). The increase in EBIT from this segment was attributable mainly to⁵: (i) lower operating costs (+€104 million, net of components offset in revenue⁶), essentially due to the payment in kind by transportation service users of natural gas used to provide the service, and to the use of provisions for risks and charges in relation to a provision made in the first nine months of 2009 (+€27 million); (ii) lower amortisation and depreciation (+€59 million) connected mainly to the extension of the useful life of pipelines (from 40 to 50 years), which were reviewed recently by the Electricity and Gas Authority for tariff purposes.

EBIT for the third quarter of 2010 amounted to €456 million, up by €57 million, or 14.3%, compared with the third quarter of 2009. The increase was a result of the improved performance of the following business segments:

- *Transportation* (+€34 million; +13.6%). The increase was attributable mainly to: (i) lower amortisation and depreciation (+€15 million) due essentially to the extension of the useful life of

⁵ EBIT is analysed by considering only those elements which have led to a change therein, as application of the gas sector tariff regulations generates cost and revenue items which offset each other.

⁶ Including the recharging of services provided to subsidiaries by the parent company, Snam Rete Gas S.p.A.



pipelines; (ii) reduced operating costs (+€9 million, net of components offset in revenue) owing to a reduction in variable costs of natural gas used to power compressor stations and lower fixed costs;

- *Distribution* (+€18 million, or 16.4%). The increase was due to: (i) a rise in revenue from natural gas distribution (+€25 million, net of the impact of IFRIC 12); (ii) higher amortisation and depreciation (-€7 million).

Net profit

Net profit for the first nine months of 2010 totalled €827 million, an increase of €359 million, or 76.7%, compared with the first nine months of 2009. This increase was due to: (i) higher EBIT (+€543 million); (ii) increased income from equity investments (+€24 million), relating essentially to the portion attributable to the net profit for the period of equity-accounted investments, particularly associates Azienda Energia e Servizi Torino S.p.A. (+€14 million) and Toscana Energia S.p.A. (+€11 million). These factors were partly offset by: (i) an increase in income taxes (-€172 million), due mainly to higher pre-tax profits; (ii) an increase in net financial expense (-€36 million), owing essentially to the impact of consolidating Italgas and Stogit and to financing the acquisition of the two companies, partially mitigated by a reduction in the average cost of borrowing.

The average cost of borrowing in the first nine months of 2010 was 2.83% (3.04% in the first nine months of 2009).

Net profit for the third quarter of 2010 amounted to €280 million, up by €46 million, or 19.7%, compared with the third quarter of 2009. The increase was mainly a result of the following factors: (i) higher EBIT (+€57 million), particularly from the natural gas transportation and distribution business segments (+€34 million and +€18 million respectively); (ii) lower net financial expense (+€2 million), owing mainly to the reduction in the average cost of borrowing; (iii) increased income taxes (-€14 million) due to higher pre-tax profits, though this was partially offset by the impact (+€6 million) of the so-called Tremonti-ter rules⁷, which grant tax breaks to investments in certain categories of machinery and equipment pursuant to article 5 of Legislative Decree no. 78 of 1 July 2009, converted by Law no. 102 of 3 August 2009.

Combined consolidated income statement

In order to meaningfully compare the results of the first nine months of 2010 with those of the same period of 2009 (which include the impact of consolidating Italgas and Stogit as of the third quarter of 2009), the consolidated data of Snam Rete Gas, GNL Italia, Italgas and Stogit for the first nine months of 2009 were combined. As a result, transactions between Snam Rete Gas and the companies, and between the companies themselves, were eliminated. The following statements therefore refer to changes in the main income statement data for the first nine months of 2010 compared with the combined data for the first nine months of 2009.

⁷ This amount refers to the tax breaks granted on investments made in the second half of 2009.



COMBINED CONSOLIDATED INCOME STATEMENT

(€million)

	First nine months			Change	Change %
	2009	Combined 2009	2010		
Core business revenue	1,630	2,199	2,507	308	14.0
- of which building and upgrading distribution infrastructures			218	218	
Other revenues and income	10	22	17	(5)	(22.7)
Total revenue	1,640	2,221	2,524	303	13.6
Operating costs	(375)	(534)	(644)	(110)	20.6
- of which construction and upgrade of distribution infrastructures			(218)	(218)	
EBITDA	1,265	1,687	1,880	193	11.4
Depreciation, amortisation and impairment losses	(422)	(527)	(494)	33	(6.3)
EBIT	843	1,160	1,386	226	19.5
Net financial expense	(161)	(195)	(197)	(2)	1.0
Income (expense) from equity investments	14	34	38	4	11.8
Pre-tax profit	696	999	1,227	228	22.8
Income tax	(228)	(335)	(400)	(65)	19.4
Net profit (*)	468	664	827	163	24.5

(*) Net profit is attributable to Snam Rete Gas.

EBIT for the first nine months of 2010 amounted to €1,386 million, an increase of €226 million, or 19.5%, compared with the combined first nine months of 2009. This increase was attributable mainly to the growth in core business revenue (+€90 million, net of the impact of IFRIC 12) recorded in all business segments, and to the reduction in operating costs (+€108 million, net of the impact of IFRIC 12) even after the implementation of efficiency measures, which helped to contain controllable fixed costs (€329 million in the first nine months of 2010). The operating performance of the group's various business segments is analysed below:

- *Transportation* (+€174 million; +25.1%). The increase was due mainly to: (i) lower operating costs (+€104 million, net of components offset in revenue), owing essentially to the payment in kind of natural gas and the change in provisions for risks and charges for legal disputes (+€27 million); (ii) lower amortisation and depreciation (+€59 million), connected to the extension of the useful life of pipelines (from 40 to 50 years);
- *Distribution* (+€40 million; +13.1%). The increase was essentially attributable to increased core business revenue (+€61 million, net of the impact of IFRIC 12), due to higher revenue from the natural gas distribution service (+€54 million) as a result of the graduality mechanism introduced by the Electricity and Gas Authority through Resolution no. 79/09. This factor was partially offset by higher amortisation, depreciation and impairment losses (-€22 million) owing to increased amortisation and depreciation (-€12 million) and the impairment losses on certain assets (-€10 million);
- *Storage* (+€9 million; +5.6%). The increase was due to higher storage revenue (+€10 million) attributable in particular to modulation storage, and to income from the sale of natural gas no longer needed for storage services (+€5 million). These factors were partially offset by higher amortisation and depreciation (-€4 million) and increased operating costs (-€3 million), relating mainly to the change in gas inventories due to the aforementioned sale of natural gas.
- *Regasification* (+€3 million; +100%). This increase was due to higher revenue from LNG regasification activity.



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Net profit was €827 million, an increase of €163 million, or 24.5%, compared with the combined first nine months of 2009. This increase was due essentially to higher EBIT (+€226 million), the effects of which were partially offset by an increase in income taxes (-€65 million) due to higher pre-tax profits.

The following information concerns the operating and financial performance of the Snam Rete Gas business segments in the first nine months and the third quarter of 2010.



Information by business segment

Natural gas transportation

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
448	463	Core business revenue (*)	1,355	1,388	33	2.4
77	84	Operating costs (*)	298	227	(71)	(23.8)
250	284	EBIT	692	866	174	25.1
194	205	Investments	629	592	(37)	(5.9)
167	177	- of which with incentives	561	517	(44)	(7.8)
27	28	- of which without incentives	68	75	7	10.3
17.24	17.26	Natural gas injected in the gas transportation network (billions of cubic metres)	55.34	60.32	4.98	9.0
31,557	31,577	Transportation Network (kilometres in use)	31,557	31,577	20	0.1
8,849	8,893	- of which national network	8,849	8,893	44	0.5
22,708	22,684	- of which regional network	22,708	22,684	(24)	(0.1)

(*) Before consolidation adjustments.

Introduction

As part of the group's organisational streamlining process after acquiring Italgas and Stogit, parent company Snam Rete Gas S.p.A. strengthened its role as an operational holding company by centralising services relating to staff activities and some strategic activities in order to manage them more efficiently. These activities, as well as the recharging of related costs by the parent company to the subsidiaries, are regulated by service agreements between the parent company and the controlled companies.

Results

Core business revenue amounted to €1,388 million, up by €33 million (+2.4%) compared with the first nine months of 2009 and by €15 million (+3.3%) compared with the third quarter of 2009. The increase was due primarily to revenue from the recharging of services provided to subsidiaries (€21 million in the first nine months; €11 million in the third quarter) and to increased transportation revenue (+€13 million in the first nine months; +€5 million in the third quarter) thanks to the higher volumes of natural gas transported (+€18 million in the first nine months; +€2 million in the third quarter), the effects of which were partially offset by applying the new tariff criteria in force for the third regulatory period (1 January 2010 to 31 December 2013). In particular, these criteria required payment in kind by users of the quantities of gas needed to run the transportation system, involving, firstly, lower operating costs in connection with the charges for supplying the gas used for the service and, secondly, a reduction in revenue for the portion allocated to cover operating costs.

EBIT was €866 million in the first nine months of 2010, up by €174 million, or 25.1%, compared with the same period of the previous year. This increase was attributable mainly to: (i) lower operating costs (+€104 million, net of components offset in revenue), due essentially to the reduction in variable costs as a result of the payment in kind of natural gas used in the transportation business segment, and to the use of provisions for risks and charges for legal disputes following a charge recorded in the first nine months of 2009 (+€27 million); (ii) a reduction in amortisation and depreciation (+€59 million) due mainly to the change in the useful life of gas pipelines (up from 40 to 50 years) following the recent review for tariff purposes by the Electricity and Gas Authority. The company, taking into account the mechanisms for recognition of tariff components linked to the new depreciation, as well as the technical



life of the pipelines, considered it appropriate to restate the useful life of these assets in line with conventional tariff duration.

EBIT was €284 million in the third quarter of 2010, up by €34 million, or 13.6%, compared with the same period of the previous year. This increase was attributable essentially to: (i) lower amortisation and depreciation (+€15 million) due to the change in the useful life of gas pipelines; (ii) reduced operating costs (+€9 million, net of components offset in revenue) due mainly to a reduction in variable costs owing to the payment in kind of natural gas used in the transportation business segment, and to a reduction in fixed costs (+€4 million), relating in particular to lower capital losses.

Operating review

Natural gas injected into the gas transportation network

(billions of m³)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
2.02	2.02	National production	6.16	6.17	0.01	0.2
15.22	15.24	Imports (entry points)	49.18	54.15	4.97	10.1
4.11	5.41	Mazara del Vallo	16.25	19.03	2.78	17.1
5.70	4.95	Tarvisio	15.89	13.82	(2.07)	(13.0)
2.81	0.81	Gries Pass	8.95	7.63	(1.32)	(14.7)
2.30	1.90	Gela	7.13	6.85	(0.28)	(3.9)
0.10	1.73	Cavarzere (LNG)	0.10	5.21	5.11	
0.19	0.42	Panigaglia (LNG)	0.83	1.53	0.70	84.3
0.01	0.02	Gorizia	0.03	0.08	0.05	
17.24	17.26		55.34	60.32	4.98	9.0

The **natural gas injected into the gas transportation network** in the **first nine months of 2010** amounted to 60.32 billion cubic metres, an increase of 4.98 billion cubic metres, or 9%, on the first nine months of 2009. The increase was attributable to higher natural gas demand in Italy (+7.6%) and the positive balance of around 0.9 billion cubic metres between injections into (+) and withdrawals from (-) the gas storage system.

The natural gas injected into the national network from domestic production fields or their collection and treatment centres amounted to 6.17 billion cubic metres, broadly unchanged from the first nine months of the previous year. Imports rose by 10.1% compared with the first nine months of 2009. In addition to gas injected at the Cavarzere entry point (+5.11 billion cubic metres), originating from the LNG terminal and operational since the third quarter of 2009, imports also increased from the Mazara del Vallo entry point (+2.78 billion cubic metres, or 17.1%), though this was partly offset by the reduction in gas injected at Tarvisio (-2.07 billion cubic metres, or 13.0%) and Gries Pass (-1.32 billion cubic metres, or 14.7%).

The natural gas injected into the gas transportation network in the **third quarter** of 2010 totalled 17.26 billion cubic metres, unchanged from the same period in 2009.



Investments

(€ million)

Third quarter			First nine months			
2009	2010		2009	2010	Change	Change %
136	155	Development	487	460	(27)	(5.5)
64	97	Investments with 3% incentive	307	304	(3)	(1.0)
72	58	Investments with 2% incentive	180	156	(24)	(13.3)
58	50	Maintenance and other	142	132	(10)	(7.0)
31	22	Investments with 1% incentive	74	57	(17)	(23.0)
27	28	Investments with no incentives	68	75	7	10.3
194	205		629	592	(37)	(5.9)

Investments in the first nine months of 2010 totalled €592 million, down by €37 million compared with the first nine months of 2009 (-5.9%).

Around 87% of these investments are expected to benefit from incentive-based remuneration. The breakdown of investments in 2009 and 2010 by category will be submitted to the Authority when the respective tariffs are approved for 2011 and 2012.

The main investments with a **3% incentive** (€304 million) were:

- as part of the connection project for the Offshore LNG Toscana (OLT) regasification terminal at Livorno (€95 million), the construction of infrastructure to connect with the plant located off the Tuscany coast, primarily offshore;
- as part of the new transportation infrastructure project on the Adriatic coast (€63 million): (i) construction work on the main line and the design of connection points for the Massafra-Biccari pipeline in Puglia and Basilicata; (ii) the purchase of private permits for the Sulmona-Foligno-Sestino-Minerbio pipeline in Abruzzo and Emilia-Romagna;
- as part of the project to upgrade the import infrastructure in Sicily and Calabria (€60 million): (i) materials for and construction work on the Montesano station; (ii) completion works on operating sections and construction of the tunnel section of the Montalbano-Messina pipeline in Sicily; (iii) construction work on the Bronte-Montalbano section of the Enna-Montalbano pipeline in Sicily;
- as part of the Villesse-Gorizia pipeline project in Friuli-Venezia Giulia (€35 million), construction work and materials.

The main investments with a **2% incentive** (€156 million) were:

- as part of the project to upgrade the transportation infrastructure in the Po Valley with the aim of increasing national transportation capacity (€38 million): (i) construction work on the Cremona-Sergnano pipeline in Lombardy; (ii) the design and purchase of permits for the Zimella-Cervignano pipeline in Veneto and Lombardy;
- as part of the Palaia-Collesalvetti pipeline project in Tuscany (€22 million), construction materials.

The main investments with a **1% incentive** (€57 million) involved several projects aimed at maintaining adequate safety and quality levels at the stations.

Investments without incentive (€75 million) included projects to replace assets and plants, as well as projects relating to the implementation of new IT systems, the development of existing ones and the purchase of other key operating assets.

Investments in the **third quarter of 2010** amounted to €205 million, an increase of €11 million, or 5.7%, compared with the same period in 2009.



Liquefied Natural Gas (LNG) regasification

(€million)

Third quarter		First nine months		Change	Change %
2009	2010	2009	2010		
7	8	25	26	1	4.0
6	5	20	17	(3)	(15.0)
1	2	3	6	3	100.0
2		5	1	(4)	(80.0)
0.19	0.42	0.83	1.53	0.70	84.3
5	11	25	42	17	68.0

(*) Core business revenue includes the recharging to customers of costs relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. For purposes of the consolidated financial statements, these revenues, together with transportation costs, are charged to GNL Italia S.p.A. to show the scale of the operation.

(**) Before consolidation adjustments.

Results

Core business revenue in the first nine months of 2010 totalled €26 million, an increase of €1 million (+4%) on the first nine months of 2009. Excluding revenue from recharging the transportation service provided by Snam Rete Gas, which is fully offset in operating costs, core business revenue rose by €3 million, or 20%, compared with the same period in the previous year. This increase was due to higher revenue from LNG regasification.

Core business revenue in the third quarter of 2010 totalled €8 million, a year-on-year increase of €1 million (+14.3%) on the back of higher revenue from LNG regasification.

EBIT amounted to €6 million in the first nine months of 2010 and €2 million in the third quarter of 2010, an increase of €3 million (+100%) and €1 million (+100%) respectively on the results for the same periods in 2009. This increase was due to higher core business revenue.

Operating review

In the first nine months of 2010, the Panigaglia (SP) LNG terminal regasified 1.53 billion cubic metres of natural gas (compared with 0.83 billion cubic metres in the first nine months of 2009), unloading 42 methane tankers of various types (compared with 25 in the same period of the previous year). The volumes of LNG regasified rose by 84.3%.

In the third quarter of 2010, the Panigaglia (SP) LNG terminal regasified 0.42 billion cubic metres of natural gas (compared with 0.19 billion cubic metres in the third quarter of 2009), unloading 11 methane tankers of various types (compared with 5 in the same period of the previous year).

Expansion and modernisation of Panigaglia plant

The Environmental Impact Assessment (EIA) of the plans to expand and modernise the GNL Italia regasification terminal at Panigaglia was completed successfully on 9 September. The decree was signed by the Italian environment and culture ministries.



Natural gas distribution

Introduction

As indicated previously, the results for the first nine months of 2009 include the economic effects of consolidating Italgas in the third quarter of 2009, as these were included in the group's consolidated financial statements from 30 June of that year, the date when the acquisition was completed. In order to assess the operating performance of the segment for the first nine months of the year, the following table shows comparative data for income statement items for the first nine months of 2009.

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
199	306	Core business revenue (*) (**)	595	874	279	46.9
60	143	Operating costs (*) (**)	204	418	214	
110	128	EBIT	305	345	40	13.1
80	84	Investments	242	232	(10)	(4.1)
621	627	Gas distribution (millions of cubic metres)	5,053	5,293	240	4.7
49,625	50,115	Distribution network (kilometres)	49,625	50,115	490	1.0
5,740,546	5,820,624	Active meters (number)	5,740,546	5,820,624	80,078	1.4

(*) Before consolidation adjustments.

(**) From 1 January 2010, items include the effects of applying international accounting standard IFRIC 12, "Service Concession Arrangements". Applying this interpretation had no effect on the group's or the segment's results, except for the equal recognition of revenue and costs relating to building and upgrading distribution infrastructures (€218 million and €77 million respectively in the first nine months and the third quarter of 2010). More information on this interpretation and how it applies to the Snam Rete Gas group can be found in the "Basis of presentation and accounting principles" section of the half-year report to 30 June 2010.

Results

Core business revenue amounted to €874 million in the first nine months of 2010 and €306 million in the third quarter of 2010, an increase of €279 million (+46.9%) and €107 million (+53.8%) respectively on the same periods in the previous year. Excluding revenues from the application of IFRIC 12, recognised since 1 January 2010, core business revenue rose by €61 million (+10.3%) and €30 million (+15.1%) respectively in the first nine months and the third quarter of 2010, owing to higher revenue from natural gas distribution (+€54 million in the first nine months; +€25 million in the third quarter) and more income from technical services performed at redelivery points (+€6 million; +€4 million). The increase in distribution revenue was attributable mainly to the effects of applying the 'gradual mechanism' introduced by the Electricity and Gas Authority through its Resolution no. 79/09 of 1 June 2009, which modified tariff criteria pursuant to the previous Resolution, no. 159/08. More specifically, the Authority introduced for the new regulatory period a gradual increase in tariff components covering amortisation and depreciation, on top of the increase already introduced for the return on invested capital.

EBIT in the first nine months of 2010 amounted to €345 million, an increase of €40 million, or 13.1%, on the corresponding period in 2009. The increase was due mainly to higher core business revenue (+€61 million, net of the effects of IFRIC 12), which was partly offset by greater amortisation, depreciation and impairment losses (-€22 million), comprising higher amortisation and depreciation (-€12 million) and impairment losses on some assets (-€10 million).



EBIT in the third quarter of 2010 totalled €128 million, a rise of €18 million, or 16.4%, on the same period in the previous year. This increase was due mainly to higher core business revenue (+€30 million, net of the effects of IFRIC 12), which was partly offset by greater amortisation and depreciation (-€7 million) and higher operating costs (-€6 million), largely owing to greater provisions for risks and charges.

Operating review

Investments

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
46	45	Network maintenance	145	128	(17)	(11.7)
24	26	Network extension and upgrade	67	73	6	9.0
4	6	New networks	11	17	6	54.5
6	7	Other investments	19	14	(5)	(26.3)
80	84		242	232	(10)	(4.1)

Investments in the first nine months of 2010 amounted to €232 million, a decrease of €10 million, or 4.1%, compared with the same period in 2009.

Network maintenance investments (€128 million) mainly involved renovating sections of obsolete pipes, by replacing cast-iron pipes, and continuing the meter replacement programme.

Network extension and upgrade investments (€73 million) involved extending existing networks in response to commitments arising from concession contracts.

Investments in the third quarter of 2010 amounted to €84 million, an increase of €4 million, or 5%, compared with the same period in 2009.

Distribution network

The group's gas distribution network as at 30 September 2010 covered 50,115 km, an increase of 142 km compared with 31 December 2009 (+490 km compared with 30 September 2009). This increase was attributable to constructing new networks and extending existing networks in response to commitments arising from concession contracts, as well as to service access requests from end customers (households, businesses, etc.).

Gas distribution

The volumes of natural gas carried by the group's distribution network (5,293 million cubic metres in the first nine months of 2010 and 627 million cubic metres in the third quarter of 2010) rose by 240 million cubic metres (+4.7%) and 6 million cubic metres (+1%) respectively compared with the same periods in 2009. The increase was due mainly to different weather conditions.

At 30 September 2010, the group had concessions for gas distribution services in 1,449 municipalities (compared with 1,441 at 31 December 2009). It had 5,820,624 active meters at gas delivery points to end customers (households, businesses, etc.), compared with 5,740,546 at 30 September 2009 and 5,770,672 at 31 December 2009.

Regulation

Through Resolutions ARG/gas 114/10 of 28 July 2010 ("*Approval of gas metering and distribution service tariffs for 2009*") and 115/10 ("*Approval of gas metering and distribution service tariffs for 2010*"), the Electricity and Gas Authority approved definitive metering and distribution tariffs for 2009 and 2010 respectively.



Natural gas storage

Introduction

As indicated previously, the results for the first nine months of 2009 include the economic effects of consolidating Stogit in the third quarter of 2009, as these were included in the group's consolidated financial statements from 30 June of that year, the date when the acquisition was completed. In order to assess the operating performance of the segment for the first nine months of the year, the following table shows comparative data for income statement items for the first nine months of 2009.

(€million)

Third quarter		First nine months		Change	Change %
2009	2010	2009	2010		
68	74	251	267	16	6.4
14	14	40	43	3	7.5
38	42	160	169	9	5.6
67	70	200	166	(34)	(17.0)
10	10	10	10		
8	8	8	8		
3.0	3.03	13.35	11.68	(1.67)	(12.5)
3.0	3.03	7.30	6.84	(0.46)	(6.3)
		6.05	4.84	(1.21)	(20.0)
8.9	9.20	8.90	9.20	0.3	3.4

(*) Before consolidation adjustments.

(**) Working gas capacity for modulation, mining and balancing services. The value shown represents the maximum available capacity and may not correspond to the maximum replenishment carried out.

Results

Core business revenue amounted to €267 million in the first nine months of 2010, an increase of €16 million, or 6.4%, on the same period in 2009 owing to higher storage revenues (+€10 million), mainly due to changes in tariffs relating to the return on capital expenditure, and to income from the sale of gas no longer required for storage purposes (+€5 million). Storage revenues (€261 million) refer to modulation (€211 million) and strategic (€50 million) storage.

Core business revenue in the third quarter of 2010 totalled €74 million, an increase of €6 million (8.8%) on the same period in 2009 owing to higher modulation storage revenue. Storage revenues (€73 million) refer to modulation (€57 million) and strategic (€16 million) storage.

EBIT in the first nine months of 2010 amounted to €169 million, an increase of €9 million, or 5.6%, compared with the same period in 2009. The increase was due to higher core business revenue (+€16 million), the effects of which were partly offset by greater amortisation and depreciation (-€4 million) and higher operating costs (-€3 million), owing essentially to higher variable costs as a result of the reduction in natural gas inventories related to the aforementioned sale.

EBIT in the third quarter of 2010 totalled €42 million, an increase of €4 million (10.5%) on the same period in 2009. This rise was due essentially to higher storage revenues (+€5 million).



Operating review

Investments

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
51	24	Development of new fields	158	96	(62)	(39.2)
51	24	Investments with an incentive of 4% over 16 years	158	96	(62)	(39.2)
8	40	Capacity upgrades	21	55	34	
8	40	Investments with an incentive of 4% over 8 years	21	55	34	
8	6	Maintenance and other	21	15	(6)	(28.6)
67	70		200	166	(34)	(17.0)

Investments in the first nine months of 2010 amounted to €166 million, a decrease of €34 million, or 17%, compared with the same period in 2009. This reduction was due largely to the Fiume Treste concession development activities drawing to an end.

Investments with an **incentive of 4% over 16 years** (€96 million) fell by €62 million, or 39.2%.

Investments with an **incentive of 4% over eight years** (€55 million) rose by €34 million, mainly as a result of new projects to increase pressure.

It is expected that around 91% of investments will benefit from incentive-based remuneration. The breakdown of investments in 2009 and 2010 by category is submitted to the Authority when the respective tariffs are approved for 2011 and 2012.

Natural gas moved through the storage system

A total of 11.68 billion cubic metres of natural gas was moved through the storage system in the first nine months of 2010, a reduction of 1.67 billion cubic metres, or 12.5%, on the corresponding period in the previous year. This decrease was attributable mainly to the large withdrawals of gas from storage as a result of the Russian supply crisis in January 2009 and to subsequently higher injections of gas to restore previous volumes in the first nine months of 2009.

A total of 3.03 billion cubic metres of gas was moved through the system in the third quarter of 2010, a slight year-on-year increase of 0.03 billion cubic metres.

The total storage capacity at 30 September 2010 was 14.2 billion cubic metres, an increase of 2.2% compared with 2009.

Regulation

Through Resolution ARG/gas 119/10 of 3 August 2010 (*"Consolidated act on the regulation of the quality and tariffs for natural gas storage services for the 2011-2014 period (TUSG): approval of part II, "Regulation of natural gas storage service tariffs for the regulatory period 2011-2014 (RTSG)", measures on the transitory payment for the gas transportation metering service for 2011"*), the Electricity and Gas Authority established criteria for determining the tariffs and reference revenue for natural gas storage services for the third regulatory period (1 January 2011 – 31 December 2014).

Stogit presented its proposed tariffs for 2011 to the Authority on 15 October 2010.



Legislative Decree no. 130/10 – New storage capacity programme -

Legislative Decree no. 130, "*Legislative Decree bearing measures for greater competition in the natural gas market and the transfer of resulting benefits to end customers, pursuant to article 30, paragraphs 6 and 7, of Law no. 99 of 23 July 2009*", came into force on 19 August 2010.

Among other things, the Decree obliges entities that inject natural gas into the national network to disclose their wholesale market share on an annual basis. The maximum market share has been set at 40% of the total volume of gas injected, although this can be increased to 55% if an entity commits to building new natural gas storage infrastructures (or upgrading existing ones) in order to free up 4 billion cubic metres of new storage capacity over a five-year period. This commitment can be made by stipulating appropriate agreements with storage subsidiaries.

Consequently, the ultimate parent, Eni, informed Stogit of its intention to build new storage capacity by asking its storage subsidiary to prepare and submit a draft proposal. Stogit carried out this request and the ultimate parent, Eni, then submitted Stogit's proposal to the ministry of economic development with a view to increasing the aforementioned maximum market share.

Once the proposal has been approved by the ministry upon consultation with the Electricity and Gas Authority, it will become binding for Stogit, in terms of efficiency and timeframe, and must be completed within five years from 1 September 2010. More specifically, Stogit must ensure punctual completion of the proposal's infrastructure capacities. Where authorised, this activity will be carried out in compliance with the obligations of functional separation established by Resolution no. 11/07 of the Electricity and Gas Authority.

The following summary tables show the reclassified consolidated income statement items.



Revenue

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
713	831	Core business revenue	1,630	2,507	877	53.8
		Business segments				
448	463	Transportation	1,355	1,388	33	2.4
7	8	Regasification	25	26	1	4.0
199	306	Distribution	199	874	675	
		- of which building and upgrading				
	77	distribution infrastructures		218	218	
68	74	Storage	68	267	199	
(9)	(20)	Consolidation adjustments	(17)	(48)	(31)	
8	6	Other revenues and income	10	17	7	70.0
721	837	Total revenue	1,640	2,524	884	53.9

Revenue - Regulated and non-regulated activities

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
708	825	Regulated business revenue	1,618	2,484	866	53.5
444	449	Transportation	1,344	1,357	13	1.0
5	6	Regasification	15	18	3	20.0
196	303	Distribution	196	865	669	
		- of which building and upgrading				
	77	distribution infrastructures		218	218	
63	67	Storage (*)	63	244	181	
13	12	Revenue from non-regulated activities	22	40	18	81.8
721	837		1,640	2,524	884	53.9

(*) From 1 July 2009, when the effects of consolidating Italgas and Stogit were first recognised, revenue is shown net of the modulation service provided for Snam Rete Gas S.p.A.

Operating costs

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
		Business segments				
77	84	Transportation	298	227	(71)	(23.8)
6	5	Regasification	20	17	(3)	(15.0)
60	143	Distribution	60	418	358	
		- of which building and upgrading				
	77	distribution infrastructures		218	218	
14	14	Storage	14	43	29	
(9)	(32)	Consolidation adjustments	(17)	(61)	(44)	
148	214		375	644	269	71.7



Operating costs – Regulated and non-regulated activities

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
146	207	Regulated business costs	372	621	249	66.9
115	100	Controllable fixed costs	219	329	110	50.2
20	5	Variable costs	92	15	(77)	(83.7)
11	102	Other costs	61	277	216	
		- of which building and upgrading				
	77	distribution infrastructures		218	218	
2	7	Non-regulated business costs	3	23	20	
148	214		375	644	269	71.7

Amortisation, depreciation and impairment losses

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
174	167	Amortisation and depreciation	422	484	62	14.7
		Business segments				
122	107	Transportation	368	309	(59)	(16.0)
1	1	Regasification	3	3		
34	41	Distribution	34	116	82	
17	18	Storage	17	56	39	
		Impairment losses		10	10	
174	167		422	494	72	17.1

EBIT

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
		Business segments				
250	284	Transportation	692	866	174	25.1
1	2	Regasification	3	6	3	100.0
110	128	Distribution	110	345	235	
38	42	Storage	38	169	131	
399	456		843	1,386	543	64.4



Net financial expense

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
47	49	Financial expense related to net financial debt	123	135	12	9.8
47	49	- Charges on short- and long-term financial debt	123	135	12	9.8
23	26	Losses on derivative contracts	44	75	31	70.5
1		- Fair value adjustment	3		(3)	(100.0)
22	26	- Difference in interest accrued in the period	41	75	34	82.9
7	4	Other financial (income) expense	9	14	5	55.6
5	4	- Accretion discount	5	12	7	
2		- Other financial (income) expense	4	2	(2)	(50.0)
(7)	(11)	Financial expense capitalised	(15)	(27)	(12)	80.0
70	68		161	197	36	22.4

Income (expense) from equity investments

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
14	15	Natural gas distribution	14	38	24	
11	15	Equity method valuation effect	11	38	27	
3		Capital gains from sale of equity investments	3		(3)	(100.0)
14	15		14	38	24	

Income taxes

(€million)

Third quarter			First nine months		Change	Change %
2009	2010		2009	2010		
126	145	Current tax	263	468	205	77.9
		(Advanced) deferred taxes				
(16)	(19)	Deferred taxes	(32)	(57)	(25)	78.1
(1)	(3)	Advanced taxes	(3)	(11)	(8)	
(17)	(22)		(35)	(68)	(33)	94.3
31.8	30.5	Tax rate (%)	32.8	32.6	(0.2)	
109	123		228	400	172	75.4



Reclassified consolidated balance sheet

The reclassified consolidated balance sheet set out below combines the assets and liabilities of the balance sheet format included in the annual consolidated financial statements and condensed interim consolidated financial statements in accordance with their function, split into the three basic functions: investment, operations and financing.

Management believes that this format presents useful additional information for investors as it allows identification of the sources of financing (equity and third-party funds) and the application of such funds for fixed and working capital.

The reclassified consolidated balance sheet is used by management to calculate the key leverage and profitability ratios.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€million)

30.06.2010	31.12.2009	30.09.2010	Change
17,488 Fixed capital	17,077	17,611	534
12,893 Property, plant and equipment (*)	12,684	13,027	343
405 Compulsory inventories	405	405	
4,134 Intangible assets (*)	4,082	4,170	88
290 Equity investments	301	305	4
2 Financial receivables held for operations	2	2	
(236) Net payables for investments	(397)	(298)	99
(1,628) Net working capital	(1,332)	(1,925)	(593)
(106) Provisions for employee benefits	(107)	(108)	(1)
14 Assets held for sale and directly related liabilities	14	14	
15,768 Net invested capital	15,652	15,592	(60)
5,731 Equity (including minority interests)	5,703	5,698	(5)
10,037 Net financial debt	9,949	9,894	(55)
15,768 Coverage	15,652	15,592	(60)

(*) The net book value of infrastructures under concession for natural gas distribution at 31 December 2009 (€3,341 million) was reclassified from "Property, plant and equipment" to "Intangible assets" pursuant to IFRIC 12, in effect from 1 January 2010.

Fixed capital (€17,611 million) rose by €534 million compared with 31 December 2009, owing essentially to the change in property, plant and equipment (+€343 million) and intangible assets (+€88 million), as well as to the reduction in net debt from investment activities (+€99 million).

Equity investments

This item (€305 million) includes the equity investments accounted for using the equity method, in particular Toscana Energia S.p.A. (€144 million), Azienda Energia e Servizi Torino S.p.A (€103 million) and ACAM Gas S.p.A. (€48 million).



Net working capital

			(€ million)
30.06.2010	31.12.2009	30.09.2010	Change
583 Trade receivables	738	628	(110)
411 Inventories	411	438	27
21 Tax receivables	21	15	(6)
108 Other assets	145	103	(42)
(872) Deferred tax liabilities	(934)	(847)	87
(735) Provisions for risks and charges	(669)	(753)	(84)
(447) Trade payables	(471)	(364)	107
(144) Tax payables	(67)	(272)	(205)
(244) Accruals and deferrals from regulated business revenue	(235)	(233)	2
(141) Derivatives	(78)	(156)	(78)
(168) Other liabilities	(193)	(484)	(291)
(1,628)	(1,332)	(1,925)	(593)

Net working capital (-€1,925 million) decreased by €593 million compared with 31 December 2009, owing mainly to: (i) an increase in other liabilities (-€291 million) due largely to the allocation of funds (€304 million) for the 2010 interim dividend of €0.09 per share, which will be paid from 21 October 2010 with an ex-dividend date of 18 October 2010; (ii) higher tax payables (-€205 million) due mainly to higher pre-tax profit and lower prepaid taxes; (iii) lower trade receivables (-€110 million) as a result of lower distribution receivables (-€104 million), owing largely to the seasonal nature of receipts; (iv) more provisions for risks and charges (-€84 million) due, in particular, to balancing payments to storage clients (-€61 million) and an increase in provisions for site dismantling and restoration (-€29 million); (v) a reduction in the fair value of derivative financial instruments (-€78 million) as a result mainly of lower market interest rates. These factors were partly offset by: (i) lower trade payables (+€107 million); (ii) lower deferred tax liabilities (+€87 million) owing essentially to the transfer of deferred taxes, relating to amortisation and depreciation carried out purely for tax purposes in previous periods, and to the allocation of prepaid taxes on the change in fair value of the derivatives (€21 million).

Assets held for sale and directly associated liabilities

Assets held for sale and directly associated liabilities relate to a real-estate complex owned by Italgas (€14 million, net of environmental provisions for charges relating to restoration work on the property) for which negotiations for a sale to Eni S.p.A. are ongoing.



Net financial debt and leverage

				(€ million)
30.06.2010	31.12.2009	30.09.2010	Change	
10,044	9,986	9,905	(81)	
Financial liabilities				
1,643 Short-term financial liabilities	1,585	696	(889)	
1,215 Short-term portion of long-term financial liabilities	915	1,723	808	
7,186 Long-term financial liabilities	7,486	7,486		
(7)	(37)	(11)	26	
Financial receivables and cash and cash equivalents				
(1) Financial receivables not held for operations	(1)	(1)		
(6) Cash and cash equivalents	(36)	(10)	26	
10,037	9,949	9,894	(55)	

The net cash flow from operating activities (+€1,536 million) covered the financial obligations of net investments in the period (-€1,009 million) and of paying the dividend balance for 2009 of €0.14 per share, paid from 27 May 2010 (-€472 million). The remainder was used to reduce the net financial debt by €55 million.

Long-term financial liabilities of €7,486 million make up 76% of net financial debt (75% at 31 December 2009) and have an average maturity of four years and four months (four years and five months at 31 December 2009).

All the financial liabilities are due to Eni and they are all in euro.

The breakdown of debt by type of interest rate at 30 September 2010 is as follows:

						(€ million)
	31.12.2009	%	30.09.2010	%	Change	
Floating rate	4,270	43	1,897	19	(2,373)	
Fixed rate	5,716	57	8,008	81	2,292	
	9,986	100	9,905	100	(81)	

Floating-rate financial liabilities (€1,897 million) decreased by €2,373 million compared with 31 December 2009, owing essentially to a reduction in short-term debt and the execution of five Interest Rate Swaps (IRSs). These IRSs, which have a maturity of around two years from September 2010, convert existing floating-rate loans (for a total of €1,285 million) into fixed-rate loans.

Fixed-rate financial liabilities (€8,008 million) increased by €2,292 million compared with 31 December 2009 following the execution of the aforementioned five IRSs and the taking out of three floating-rate loans, for a total amount of €1,000 million, which were converted into fixed-rate loans through the execution of three additional IRSs.

Three more IRS derivative contracts have been also executed in 2010, for an overall notional amount of €900 million. They converted existing floating-rate loans into fixed-rate loans. These derivative contracts will come into effect from October and November 2010 for around two years; until then, the loans will accrue interest at a floating rate.

In total, Snam Rete Gas had 20 outstanding IRS derivative contracts, for a notional amount of €7,235 million, as of 30 September 2010.

Leverage - the ratio of net financial debt to net invested capital - is 63.5% (63.6% at 31 December 2009).

There were no breaches of loan agreements at the reporting date.



Covenants

Snam Rete Gas has entered into a €300 million loan agreement with Eni funded by the European Investment Bank (EIB), which is based on Eni maintaining a minimum rating. This indicator has been met; Snam Rete Gas believes failing to meet this covenant would have a limited impact.

Statement of comprehensive income

(€million)

	First nine months	
	2009	2010
Net profit	468	827
Other components of comprehensive income		
Change in fair value of cash flow hedge derivatives (effective share)	(47)	(76)
Tax effects of the other components of comprehensive income	13	21
Total other components of comprehensive income, net of tax effect	(34)	(55)
Total comprehensive income	434	772
attributable to:		
- Snam Rete Gas	434	772
- Minority shareholders		
	434	772

Shareholders' equity

(€ million)

Equity at 31 December 2009		5,703
<i>Increases owing to:</i>		
- Comprehensive income first nine months of 2010	772	
- Other changes	1	
		773
<i>Decreases owing to:</i>		
- Distribution of balance of 2009 dividend	(472)	
- Interim dividend 2010	(304)	
- Other changes	(2)	
		(778)
Equity including minority interests at 30 September 2010		5,698
attributable to:		
- Snam Rete Gas		5,697
- Minority shareholders		1
		5,698

At 30 September 2010, Snam Rete Gas had 194,603,475 treasury shares (compared with 194,886,225 at 31 December 2009), equal to 5.45% of the share capital. Their market value at 30 September 2010 was €719 million⁸.

⁸ Calculated by multiplying the number of treasury shares by the period-end official price of €3.6932 per share.



Reclassified consolidated statement of cash flows and changes in net financial debt

The reclassified consolidated statement of cash flows set out below summarizes the legally required format. This consolidated reclassified cash flow statement shows the opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the "free cash flow", i.e. the cash surplus or deficit left over after servicing capital expenditure. The free cash flow closes either: (i) with the change in cash and cash equivalents for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repayment of loans) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)

Third quarter			First nine months	
2009	2010		2009	2010
234	280	Net profit	468	827
		<i>adjusted by:</i>		
165	155	- amortisation, depreciation and other non-monetary components	413	458
(2)	1	- net capital losses on asset sales and eliminations	2	3
174	187	- interest and income taxes	382	585
(184)	(143)	Change in working capital due to operating activities	(105)	70
(63)	(61)	Dividends, interest and income taxes collected (paid)	(261)	(407)
324	419	Net cash flows from operating activities	899	1,536
(292)	(339)	Investments	(692)	(900)
(6)		Change in consolidation scope and business units	(4,477)	(12)
16	1	Divestments	17	2
27	62	Other changes relating to investment/divestment activities	(89)	(99)
69	143	Free cash flow	(4,342)	527
(81)	(139)	Changes in short- and long-term financial debt	1,169	(81)
(2)		Equity cash flows	3,197	(472)
(14)	4	Net cash flow for the period	24	(26)

CHANGE IN NET FINANCIAL DEBT

(€ million)

Third quarter			First nine months	
2009	2010		2009	2010
69	143	Free cash flow	(4,342)	527
		Financial payables and receivables from acquired companies	(2,219)	
(2)		Equity cash flows	3,197	(472)
67	143	Change in net financial debt	(3,364)	55



Other information

Disclosure required by article 37 of Consob Regulation no. 16191/07

Pursuant to article 37 of the Market Regulations directive, relating to controlled companies subjected to the management and coordination of others, there are no conditions preventing the quotation of Snam Rete Gas S.p.A. shares on the electronic stock exchange organised and managed by Borsa Italiana S.p.A.

Competition Authority

Investigation into gas distribution and selling in Italy

With reference to the preliminary investigation opened by the Competition Authority on 6 May 2009 into Eni S.p.A and Italgas S.p.A, which aimed to establish the possible abuse of a dominant market position in breach of article 82 of the EU Treaty, the Authority ruled on 8 September 2010, and in acceptance of commitments made, to close the proceedings against the aforementioned companies without having established an infringement pursuant to article 14-*ter*, paragraph 1, of Law no. 287/90.

Investigation into gas distribution in Italy

On 13 October 2010, the launched a preliminary investigation into whether Italgas had refused to supply or been late in supplying the necessary information to the municipal authorities of Rome and Todi for the preparation of calls for gas distribution tenders (the current Italgas concession has expired), and whether it had therefore abused its dominant market position.

The Competition Authority has indicated that the investigation will be completed by 15 December 2011.



IFRS financial statements

Balance sheet

(€ million)

30.06.2010	31.12.2009	30.09.2010
ASSETS		
Current assets		
6 Cash and cash equivalents	36	10
703 Trade and other receivables	916	747
411 Inventories	411	438
Current income tax assets	2	1
4 Other current tax assets	5	4
49 Other current assets	67	31
1,173	1,437	1,231
Non-current assets		
12,893 Property, plant and equipment (*)	12,684	13,027
405 Compulsory inventories	405	405
4,134 Intangible assets (*)	4,082	4,170
290 Equity-accounted investments	301	305
1 Other financial assets	1	1
42 Other non-current assets	34	34
17,765	17,507	17,942
25 Non-current assets held for sale	25	25
18,963 TOTAL ASSETS	18,969	19,198
LIABILITIES AND EQUITY		
Current liabilities		
1,643 Short-term financial liabilities	1,585	696
Short-term portion of long-term		
1,215 financial liabilities	915	1,723
946 Trade and other payables	1,106	1,341
18 Current income tax liabilities	5	47
21 Other current tax liabilities	18	10
145 Other current liabilities	187	124
3,988	3,816	3,941
Non-current liabilities		
7,186 Long-term financial liabilities	7,486	7,486
735 Provisions for risks and charges	669	753
106 Provisions for employee benefits	107	108
872 Deferred tax liabilities	934	847
334 Other non-current liabilities	243	354
9,233	9,439	9,548
11 Liabilities directly associated with assets held for sale	11	11
13,232 TOTAL LIABILITIES	13,266	13,500
EQUITY		
<i>Equity attributable to Snam Rete Gas</i>		
3,570 Share capital	3,570	3,570
2,404 Reserves	2,395	2,395
547 Net profit	732	827
(791) Treasury shares	(792)	(791)
Interim dividend	(203)	(304)
5,730 Total equity attributable to Snam Rete Gas	5,702	5,697
1 Capital and reserves attributable to minority interests	1	1
5,731 TOTAL EQUITY	5,703	5,698
18,963 TOTAL LIABILITIES AND EQUITY	18,969	19,198

(*) The net book value of infrastructures under concession for natural gas distribution at 31 December 2009 (€3,341 million) was reclassified from "Property, plant and equipment" to "Intangible assets" pursuant to IFRIC 12, in effect from 1 January 2010.



Statement of cash flows

(€ million)

Third quarter			First nine months	
2009	2010		2009	2010
234	280	Net profit	468	827
		Adjustments for reconciling profit for the period with cash flows from operating activities:		
174	167	Amortisation and depreciation	422	484
		Impairment losses		10
(11)	(15)	Equity method valuation effect	(11)	(38)
(2)	1	Net capital losses on asset sales, cancellations and eliminations	2	3
(1)	(1)	Interest income	(3)	(1)
66	65	Interest expense	157	186
109	123	Income tax	228	400
	1	Other changes		1
		Changes in working capital:		
(34)	(8)	- inventories	(33)	(11)
(55)	(39)	- trade receivables	(1)	116
(83)	(83)	- trade payables	(103)	(107)
1	17	- provisions for risks and charges	18	65
(13)	(30)	- other assets and liabilities	14	7
(184)	(143)	<i>Working capital cash flows</i>	(105)	70
2	2	Change in provision for employee benefits	2	1
		Dividends collected		34
	3	Interest collected	4	3
(63)	(64)	Interest paid	(148)	(185)
		Income taxes paid net of reimbursed tax credits	(117)	(259)
324	419	Net cash flows from operating activities	899	1,536
		Investments:		
(280)	(260)	- property, plant and equipment	(672)	(688)
(12)	(79)	- intangible assets	(20)	(212)
(6)		- change in consolidation scope and business units	(4,477)	(12)
27	65	- change in payables and receivables relating to investments	(89)	(99)
(271)	(274)	<i>Cash flows from investment activities</i>	(5,258)	(1,011)
		Divestments:		
5	1	- property, plant and equipment	6	2
	(3)	- change in payables and receivables relating to divestments		
11		- equity investments	11	
16	(2)	<i>Cash flows from divestments</i>	17	2
(255)	(276)	Net cash flows from investment activities	(5,241)	(1,009)
1,506	1,008	Taking on long-term financial debt	10,812	1,022
(1,503)	(200)	Repaying long-term financial debt	(9,817)	(214)
(84)	(947)	Increase (decrease) in short-term financial debt	174	(889)
(81)	(139)		1,169	(81)
(2)		Net capital contributions	3,444	
		Dividends paid to Snam Rete Gas shareholders	(247)	(472)
(83)	(139)	Net cash flows from financing activities	4,366	(553)
(14)	4	Net cash flow for the period	24	(26)
38	6	Cash and cash equivalents at start of period	0	36
24	10	Cash and cash equivalents at end of period	24	10