



SNAM RETE GAS ANNOUNCES PRELIMINARY RESULTS FOR 2009

San Donato Milanese, 10 February 2010 – The Snam Rete Gas Board of Directors has today examined preliminary consolidated results for the 2009 financial year (these have not been audited). The preliminary results for 2009 include the associated effects of acquiring Italgas and Stogit beginning 30 June 2009, the completion date of the transaction. *Consequently, the income statement includes the effects of consolidating the companies acquired in the second half of 2009¹.*

Financial highlights

- **Core business revenue: €2,438 million (+28.2%);**
- **EBIT: €1,274 million (+24.7%);**
- **Net profit: €732 million (+38.1%);**
- **Investments: €1,254 million**

Operating highlights

- **Gas injected into the transportation network: 76.90 billion cubic metres (-10.2%);**
- **Natural gas moved through the storage system: 16.52 billion cubic metres (+42.8%);**
- **Natural gas carried in the distribution network: 7,537 million cubic metres (+1.4%)**

The proposed dividend is €0.20 per share, of which €0.06 has already been distributed as an interim payment

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

"In 2009 our successful acquisition of Italgas and Stogit has turned Snam Rete Gas into a European leader in the regulated gas sector. Against a backdrop of falling energy demand, the integration of the two companies in the second half of the year, accompanied by solid performance in the transportation business, has enabled us to increase EBIT by 25% and net profit by 38% versus 2008. Together with our solid capital structure, the results for 2009 will allow us to propose a dividend of €0.20 per share at the shareholders' meeting in April, which reflects our aim of generating attractive and sustainable returns for our shareholders."

¹ In the business segment information, the performance of the natural gas distribution and storage business segments is analysed with reference to the entire 2009 financial year. This gives a more complete picture of operating performance in the respective business activities.



Financial highlights

(€ million)

	2008	2009	Change	Change%
Core business revenue	1.902	2.438	536	28,2
Operating costs	399	581	182	45,6
EBIT	1.022	1.274	252	24,7
Net profit	530	732	202	38,1
EBIT per share (*)	€ 0,58	0,49	(0,09)	(15,5)
Net profit per share (*)	€ 0,30	0,28	(0,02)	(6,7)
Investments	1.044	1.254	210	20,1
Number of shares outstanding at December 31	(millions) 1.761,0	3.375,9	1.614,9	91,7
Average number of shares outstanding during the year (**)	(millions) 1.761,0	2.579,3	818,3	46,5

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

(**) As required by IAS 33 "Earnings per share", the ordinary shares issued as part of the cost of a business combination have been included in the weighted average number of shares from the date of acquisition of control (30 June 2009).

- ❖ **EBIT** of €1,274 million was up 24.7% compared with the 2008 financial year, due to the contribution from the natural gas distribution (€203 million) and storage (€92 million) business segments after consolidating Italgas and Stogit. This was partly offset by operating performance in the transportation business which was down slightly (-€43 million, or -4.2%) versus 2008, despite a significant fall in gas demand (-8%) and the subsequent drop in transported natural gas volumes of (-10.2%). The regasification business recorded EBIT of €5 million, in line with the figure for the 2008 financial year.
- ❖ **Net profit** of €732 million was up €202 million, or 38.1%, compared with the 2008 financial year. This was because of higher EBIT (+€252 million), income from equity investments (+€22 million), relating primarily to the share of results of subsidiaries and affiliates valued using the equity method, and lower net financial charges (+€9 million) owing essentially to a significant reduction in market interest rates. These factors were partially offset by an increase in income taxes (-€81 million) brought about by higher pre-tax profit.
- ❖ **Investments** (€1,254 million) related mainly to developing and maintaining transportation and regasification infrastructure (€933 million). Investments relating to the natural gas distribution and storage business segments, and made as from the acquisition completion date (30 June 2009), were €172 million and €149 million respectively.
- ❖ **Net financial debt** of €9,949 million was up €3,713 million compared with 31 December 2008, mainly due to the acquisition of Italgas and Stogit, which also involved consolidating their respective net financial debts (€2,381 million at 31 December 2009).



Leverage

The leverage ratio (net financial debt/net invested capital) is 63.6%, unchanged from 31 December 2008.

Operating highlights (a)

	2008	2009	Change	Change%
Natural gas transportation (b)				
Natural gas injected into the national gas transportation network (billions of cubic metres)	85.64	76.90	(8.74)	(10.2)
Transportation network (Kilometres in use)	31,474	31,531	57	0.2
- National network	8,779	8,871	92	1.0
- Regional network	22,695	22,660	(35)	(0.2)
Liquefied Natural Gas (LNG) regasification (b)				
LNG regasification (billions of cubic metres)	1.52	1.32	(0.20)	(13.2)
Natural gas distribution (a) (b)				
Gas distribution (millions of cubic metres)	7,431	7,537	106	1.4
Distribution concessions (number)	1,438	1,441	3	0.2
Distribution network (Kilometres)	49,410	49,973	563	1.1
Active meters (millions)	5.68	5.77	0.09	1.7
Natural gas storage (a) (b)				
Storage concessions (number)	10	10		
- of which operational	8	8		
Natural gas moved through the storage system (billions of cubic metres)	11.57	16.52	4.95	42.8
- of which injected	6.30	7.81	1.51	24.0
- of which withdrawn	5.27	8.71	3.44	65.3
Available storage capacity (billions of cubic metres) (c)	8.6	8.9	0.30	3.5

(a) For purposes of comparison, the operating data of acquired companies are shown also for the 2008 financial year.

(b) Gas volumes are expressed in standard cubic metres (SMC) with an average higher heating value (HHV) of 38.1, 38.9 and 39.4 MJ/SMC respectively for the businesses of transportation and regasification, distribution and storage of natural gas.

(c) Working gas capacity for modulation, mining and balancing services.

❖ The volumes of natural gas injected into the transportation network amounted to 76.90 billion cubic metres (-10.2%). This decrease was due to a reduction of 6.75 billion cubic metres, or 8%, in domestic natural gas demand in 2009 compared with 2008, concentrated primarily in the thermoelectric (-15.5%) and industrial (-14.6%) sectors, and to the negative balance of withdrawals (-) and injections (+) of gas into storage (approximately -0.8 billion cubic metres).



- ❖ Regasified LNG volumes were 1.32 billion cubic metres (-13.2%).
- ❖ The volumes of gas carried by the group's distribution network were 7,537 million cubic metres, an increase of 106 million cubic metres, or 1.4%, compared with 2008, due essentially to weather conditions and network development.
- ❖ In 2009, 16.52 billion cubic metres of natural gas were moved through the group's storage system, an increase of 4.95 billion cubic metres, or 42.8%, compared with 2008, due essentially to greater withdrawals (+65.3%). The available storage capacity at year-end was 8.9 billion cubic metres, an increase of 3.5% compared with 2008.

The total storage capacity at year-end was 13.9 billion cubic metres, an increase of 1.5% compared with 2008.

Dividend

The Board of Directors intends to propose a dividend² of €0.20 per share, of which €0.06 was distributed in October 2009 as an interim payment, to the shareholders' meeting scheduled for 27 and 28 April 2010. The outstanding dividend of €0.14 per share will be paid from 27 May 2010, with an ex-dividend date of 24 May 2010.

Effects of acquiring Italgas and Stogit

On 30 June 2009, the acquisition from Eni of the entire share capital of Italgas and Stogit was completed with payment by Snam Rete Gas of €4,509 million, including €2,922 million for Italgas and €1,587 million for Stogit. The acquisition was financed by a capital increase through issuing new shares, offered under option to Snam Rete Gas shareholders, for €3,474 million, including a share premium, and by taking out new loans from the ultimate parent Eni S.p.A. for the remainder.

The difference between the acquisition cost (€4,512 million, including additional transaction expenses) and the book value of the acquired companies' equities (€2,928 million)³ on completion led to a decrease of €1,584 million in consolidated equity.

² The dividend is taxed differently depending on the recipient (natural person or legal person) and/or the nature of the investment (qualified or non-qualified).

³ The transaction falls under the "Business combination of entities under common control" category, which is not covered by IFRS 3 "Business combinations" or other standards. The assets and liabilities deriving from consolidating the acquired companies, included in the consolidated financial statements of Snam Rete Gas using the predecessor values method, were recognised at the carrying amounts in the balance sheets as at 30 June 2009.



Outlook

❖ **Natural gas transportation**

Natural gas demand

The demand for natural gas (around 78 billion cubic metres in 2009) is expected to rise slightly in 2010, mainly due to expected growth in the thermoelectric sector.

Investments

The spending forecast in the investment plan for 2010 is expected to be broadly in line with 2009.

❖ **Natural gas distribution**

The increase in the number of active meters at the end of 2010 is expected to be in line with 2009 (around 2%).

The spending forecast in the investment plan for 2010 is expected to be in line with 2009.

❖ **Natural gas storage**

The total capacity for storage services (13.9 billion cubic metres in 2009) is expected to rise, mainly because of continuing development investments.

The spending forecast in the investment plan for 2010 is expected to be in line with 2009.

The consolidated economic and financial information in this press release was 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 income statement figures relate to the 2008 and 2009 financial years. The balance sheet figures refer to the situation at 31 December 2009 and 31 December 2008. The format of the financial statements reflects that of the statements presented in the directors' reports for the half-year and annual financial reports.

The accounting information relating to the preliminary consolidated results for 2009 includes Snam Rete Gas S.p.A., the companies consolidated after the acquisition of Italgas and Stogit - Italgas S.p.A (100%), Napoletana Gas S.p.A (99.69%) and Stogit S.p.A (100%) - and GNL Italia S.p.A (100%)⁴.

Given their size, amounts are expressed in millions of Euro.

Pursuant to paragraph 2, article 154-bis of the TUF, the manager in charge of preparing the company's financial reports, Antonio Paccioretti, states that the accounting information included in this press release corresponds to documents, accounting ledgers and other records.

⁴ The percentages shown refer to the stake held by the Snam Rete Gas group.

**Disclaimer**

This press release includes forward-looking statements, especially in the "Outlook" section, relating to: natural gas demand, investment plans, dividends, future operating performance and project execution. Such statements are, by their very nature, subject to risk and uncertainty as they depend on certain events and developments taking place. The actual results can therefore differ from those forecast, as a result of several factors, including: foreseeable trends in the demand, offer and price of natural gas, 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.

Contacts**Snam Rete Gas Investor Relations**

Tel +39.02.520.67272 - Fax: +39.02.520.67650

E-mail: investor.relations@snamretegas.it

Snam Rete Gas External Relations

Tel +39.02.520.67691 - Fax: +39.02.520.69227

E-mail: relazioni.esterne@snamretegas.it

Eni Press Office

Tel +39 02.52031875 – +39 06.5982398

E-mail: ufficio.stampa@eni.it

This press release relating to the preliminary consolidated results for 2009 (not audited) is also available on the Snam Rete Gas website at www.snamretegas.it.



Summary of the preliminary results for 2009

EBIT in 2009 amounted to €1,274 million, an increase of €252 million, or 24.7%, compared with 2008. This was essentially due to a different consolidation scope, with contributions from the natural gas distribution and storage business segments of €203 million and €92 million respectively.

The operating performance of the transportation business was down by €43 million⁵, or 4.2%, mainly because of: (i) lower transportation revenue (-€25 million, net of components that are offset in costs); (ii) greater amortisation and depreciation (-€14 million); (iii) higher operating costs (-€6 million, net of components that are offset in revenue), owing essentially to greater provisions for risks and charges (-€20 million), the effects of which were partially offset by reduced variable costs for fuel gas used to operate compressor stations (+€16 million).

Net profit (€732 million) increased by €202 million, or 38.1%, compared with 2008. This increase is attributable to: (i) higher EBIT (+€252 million); (ii) net income from equity investments (+€22 million), relating mainly to shares of the results for the period of subsidiaries and affiliates valued using the equity method; (iii) lower net financial charges (+€9 million). These positive factors were partially offset by an increase in income taxes (-€81 million) brought about by higher pre-tax profit.

Core business revenue (€2,438 million) increased by €536 million, or 28.2%, compared with 2008 as a result of consolidating Italgas and Stogit.

Revenues from the transportation business segment (€1,865 million, before consolidation adjustments) fell by €17 million mainly because of lower transportation revenue (-€19 million), following a reduction in the volume of natural gas carried (-€53 million) and updated tariffs (-€18 million), the effects of which were partially offset by the contribution of investments made in 2007 (+€57 million). Transportation revenues were reduced by a further €11 million because of recognition by the Autorità per l'Energia Elettrica e il Gas (Electricity and Gas Authority) of higher costs incurred in buying fuel gas in the thermal year 2007-2008 (€34 million), charged to the financial year 2009⁶, against a grant of €45 million, recorded in the financial year 2008, relating to the thermal years 2005-2006 and 2006-2007.

Revenues from the natural gas distribution business segment (€406 million), and relating to the period 1 July-31 December 2009, relate primarily to payments for the natural gas distribution service (€394 million).

Revenues from the natural gas storage business segment (€161 million, before consolidation adjustments), and relating to the period 1 July-31 December 2009, relate primarily to payment for storage services (€158 million, of which €124 million and €34 million respectively refers to modulation and strategic storage).

Other revenue (€30 million) relates mainly to capital gains on tangible asset sales (€7 million), net revenues from redemption of energy efficiency certificates (€4 million), income from real estate investments (€3 million) and income from commercial dealings (€2 million).

Regulated business revenue (€2,423 million, net of consolidation adjustments) relates to transportation (€1,848 million), regasification (€21 million), distribution (€407 million) and storage (€147 million) of natural gas.

Non-regulated business revenue (€45 million, net of consolidation adjustments) relates mainly to technical services (€17 million), income from renting and maintaining fibre-optic cables (€9 million) and capital gains on tangible asset sales (€7 million).

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 The amount owing to the company for higher costs incurred in the period from 1 October 2008 to 31 December 2009 will be determined by the Authority in due course.



Operating costs (€581 million) increased by €182 million, or 45.6%, compared with 2008, due essentially to the associated effects of consolidating Italgas and Stogit.

Operating costs in the transportation business segment (€399 million, before consolidation adjustments) increased by €11 million because of higher provisions to risks and charges (+€20 million) and higher fixed costs (+€4 million), owing in particular to greater expense for termination benefits. These factors were partly offset by a reduction in variable costs (-€13 million) on the back of lower fuel gas acquisition expense (-€16 million), mainly due to a reduction in consumed gas volumes, partly offset by increased costs for the recharging by third-party operators of the transportation service on their networks (+€5 million).

Operating costs for regulated activities relate to: (i) controllable fixed costs (€352 million)⁷, represented by personnel expense (€182 million) and external costs (€170 million); (ii) variable costs (€117 million); (iii) other costs (€98 million), relating mainly to expenses that are offset in revenue, net provisions to risks and charges, and concession expenses.

The workforce as at 31 December 2009 numbered 6,187 (compared with 2,345 a year earlier), of whom 3,545 and 301 respectively were in the natural gas distribution and storage business segments.

Amortisation, depreciation and impairment losses (€613 million) increased by €124 million compared with 2008, owing to amortisation and depreciation in the natural gas distribution (€75 million) and storage (€35 million) business segments. The increase in amortisation and depreciation in the transportation business segment (+€14 million), owing to the introduction of new infrastructures in the financial year, also contributed to the rise.

Net financial expense (€217 million) fell by €9 million compared with 2008 following a significant reduction in market interest rates, the effects of which were partly offset by higher expense related to the increase in average debt for the period due to the consolidation of Italgas and Stogit, charged to the income statement from 1 July 2009, and to the financing of the acquisition.

The average borrowing cost was approximately 2.9%⁸ (4.2% in 2008).

In the 2009 financial year, €24 million of financial charges were capitalised (this figure was €26 million in the previous year).

Income taxes (€347 million) increased by €81 million, or 30.5%, compared with 2008. This was due mainly to higher pre-tax profit (+€283 million) following the change in consolidation scope.

The 2009 tax rate was 32.2%, compared with 33.4% in 2008.

⁷ For the definition of "Controllable fixed costs" see the "Glossary" of 2008 Directors' Report.

⁸ The acquired companies' average cost of borrowing was calculated with reference to the second half of the year.



Information by business segment

This section shows the key performance indicators of the Snam Rete Gas group's business segments⁹. With regard to the natural gas distribution and storage business segments, and for purposes of fully evaluating respective operating performances, the notes to the main results are provided for the entire 2009 financial year. Comparative data for the 2008 financial year are also shown.

Natural gas transportation

(€ million)

	2008	2009	Change	% change
Core business revenue (*)	1,882	1,865	(17)	(0.9)
Operating costs (*)	388	399	11	2.8
EBIT	1,017	974	(43)	(4.2)
Net profit	528	530	2	0.4
Investments	1,038	926	(112)	(10.8)
Natural gas injected in the gas transportation network (billions of cubic metres)	85.64	76.90	(8.74)	(10.2)

(*) Before consolidation adjustments.

Results

Core business revenue (€1,865 million, before consolidation adjustments) fell by €17 million mainly because of lower transportation revenue (-€19 million), following a reduction in the volume of natural gas carried (-€53 million) and updated tariffs (-€18 million), the effects of which were partially offset by the contribution of investments made in 2007 (+€57 million). Transportation revenues were reduced by a further €11 million because of recognition by the Electricity and Gas Authority of higher costs incurred in buying fuel gas in the thermal year 2007-2008 (€34 million), recorded in the financial year 2009¹⁰, against a grant of €45 million, recorded in the financial year 2008, relating to the thermal years 2005-2006 and 2006-2007.

EBIT of €974 million was down €43 million, or 4.2%, compared with 2008, despite a substantial fall in gas demand (-8%) and the subsequent reduction in transported gas volumes (-10.2%). The fall is attributable mainly to: (i) lower transportation revenue (-€25 million, net of components that are offset in costs); (ii) greater amortisation and depreciation (-€14 million) owing to the introduction in the financial year of new transportation infrastructures; (iii) higher operating costs (-€6 million, net of components that are offset in revenue) following greater provisions for risks and charges (-€20 million) and an increase in fixed costs (-€4 million), the effects of which were partially offset by reduced variable costs for fuel gas used to operate compressor stations (+€16 million), against smaller quantities of gas used.

⁹ The business segments (natural gas transportation, LNG regasification, natural gas distribution and storage) are identified, in line with internal reporting, by management, and refer to the respective major activities of Snam Rete Gas, GNL Italia, Italgas and its subsidiaries and Stogit.

¹⁰ The amount owing to the company for higher costs incurred in the period from 1 October 2008 to 31 December 2009 will be determined by the Authority in due course.

**Investments**

(€ million)

	2008	2009	Change	%change
Development	813	692	(121)	(14.9)
Investments with incentive of 3%	578	451	(127)	(22.0)
Investments with incentive of 2%	235	241	6	2.6
Maintenance and other	225	234	9	4.0
Investments with incentive of 1%	103	101	(2)	(1.9)
Investments without incentive	122	133	11	9.0
	1,038	926	(112)	(10.8)

Investments in 2009 amounted to €926 million, a decrease of €112 million, or 10.8%, compared with 2008.

Investments are classified in accordance with resolution no. 184/09 of the Electricity and Gas Authority, which identified three project categories with a different incentive level¹¹.

It is foreseen that 85% of investments benefit from incentive-based remuneration. The breakdown of investments in 2009 by category will be submitted to the Authority when the tariffs are approved for the 2011 thermal year.

The main investments with a **3% incentive** were:

- as part of the project for the new transportation infrastructure along the Adriatic side (€158 million), the purchase of materials to construct the Massafra-Biccari pipeline in Puglia and Basilicata;
- as part of the project to upgrade the import infrastructure in Sicily and Calabria (€128 million): (i) construction of the Montalbano-Messina and Enna-Montalbano pipelines in Sicily, and the Rende-Tarsia pipeline in Calabria; (ii) completion works on the Mazara-Menfi and Tarsia-Morano pipelines in Sicily and Calabria respectively; (iii) first installments relating to supply of the turbo compressor at the Montesano station;
- as part of the project to improve the import infrastructure from the North East (€49 million): (i) installation of the new 24-MW turbo compressor to upgrade the Malborghetto station in Friuli Venezia Giulia; (ii) construction of the Tarvisio-Malborghetto pipeline and assembly of the gas cooler at the Istrana station;
- as part of the project to upgrade the transportation infrastructure in the Po Valley with an aim to increase import capacity (€31 million): (i) detailed design and materials for constructing the Poggio Renatico-Cremona pipeline in Emilia Romagna and Lombardy; (ii) spare parts and finishing works for the Poggio Renatico station.

¹¹ The incentives for investments are the same of the second regulatory period.



The main investments with a **2% incentive** were:

- as part of the project to upgrade the transportation infrastructure in the Po Valley with a view to increasing national transportation capacity (€49 million): (i) materials for constructing the Cremona-Sergnano pipeline in Lombardy; (ii) design of the Zimella-Cervignano pipeline in Veneto and Lombardy;
- upgrading the transportation network in South Piedmont (€22 million), including construction of the Cherasco-Cuneo and Oviglio-Ponti pipelines and completion works on the Mortara-Alessandria and Alessandria-Oviglio pipelines.

The main investments with a **1% incentive** involved several projects aimed at maintaining adequate safety and quality levels at the stations. With a €14 million expense in 2009, the project to replace the TC 1-2-3 units at the Messina station was particularly significant, with design activities and the first instalments relating to the supply of turbo compressors.

The **investments without incentive** include 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.

Operating review

Volumes of natural gas injected into the gas transportation network

(m³ billion)

	2008	2009	Change	%
National production	9.12	8.23	(0.89)	(9.8)
Imports (entry points)	76.52	68.67	(7.85)	(10.3)
Tarvisio	24.58	22.92	(1.66)	(6.8)
Mazara del Vallo	24.77	21.66	(3.11)	(12.6)
Passo Gries	15.69	12.02	(3.67)	(23.4)
Gela	9.87	9.17	(0.70)	(7.1)
Cavarzere (LNG)		1.53	1.53	
Panigaglia (LNG)	1.52	1.32	(0.20)	(13.2)
Gorizia	0.09	0.05	(0.04)	(44.4)
	85.64	76.90	(8.74)	(10.2)

The volumes of **natural gas injected into the gas transportation network** in 2009 amounted to 76.90 billion cubic metres (-10.2%). This decrease was due to the reduction in domestic natural gas demand in 2009, owing mainly to lower consumption by the thermoelectric (-15.5%) and industrial (-14.6%) sectors as a result of the effects of the economic downturn, the effects of which were partly offset by an increase in residential consumption (+4.9%). The negative balance of around 0.8 billion cubic metres between gas withdrawals from (-) and injections into (+) the storage system also contributed to the lower volumes injected into the network. The situation was the reverse of 2008, when injections exceeded withdrawals by 1.12 billion cubic metres.

The volumes of natural gas injected into the network from national fields or their collection and treatment centres amounted to 8.23 billion cubic metres, down by 0.89 billion cubic metres, or 9.8%, compared with 2008. Regarding imports by entry point, which were down 10.3% on 2008, there were smaller imports at Passo Gries (-23.4%), Mazara del Vallo (-12.6%) and Tarvisio (-6.8%), the latter affected by the relationship crisis between Russia and Ukraine which meant imports were blocked in January 2009.

**Liquefied Natural Gas (LNG) regasification**

(€ million)

	2008	2009	Change	% change
Core business revenue (*)	37	36	(1)	(2.7)
Operating costs (**)	30	27	(3)	(10.0)
EBIT	5	5		
Net profit	2	2		
Investments	6	7	1	16.7
Regasified LNG volumes (billions of cubic metres)	1.52	1.32	(0.20)	(13.2)
Tanker loads (number)	42	38	(4)	(9.5)

(*) Core business revenue includes the recharging to customers of the costs of transporting natural gas provided by Snam Rete Gas S.p.A. For consolidation purposes, this revenue is eliminated, together with the transportation costs incurred by GNL Italia S.p.A, to represent the essence of the transaction.

(**) Before consolidation adjustments.

Results

EBIT was unchanged from 2008, at €5 million. LNG regasification service revenue, net of recharging the transportation service to clients, amounted to €21 million (€20 million in 2008).

Operating review

In 2009, the Panigaglia (SP) LNG terminal regasified 1.32 billion cubic metres of natural gas (compared with 1.52 billion cubic metres in 2008), unloading 38 tankers – of which five were on a spot basis (compared with 42 loads in the previous year - of which one was on a spot basis). Regasified LNG volumes fell by 0.20 billion cubic metres, or 13.2%.



Natural gas distribution

(€ million)

	2008	Of which Acqua Campania	2009	Change % change	
Core business revenue	764	49	802	38	5.0
Operating costs	353	52	291	(62)	(17.6)
EBIT	323	5	398	75	23.2
Group net profit	228		275	47	20.6
Investments	288		334	46	16.0
Gas distribution (millions of cubic metres)	7,431		7,537	106	1.4
Distribution network (kilometres)	49,410		49,973	563	1.1
Active meters (millions)	5.68		5.77	0.09	1.7
Customers - retail companies (number)	132		166	34	25.8

Results for 2009¹²

Core business revenue of €802 million was up €87 million, or 12.2%, compared with 2008. The increase was due to higher natural gas distribution revenues as a result of new tariff calculation methods and a different way of recognising revenues for the thermal year, applicable as of the third regulatory period (1 January 2009-31 December 2012)¹³. Natural gas distribution revenues in 2009 amounted to €776 million, an increase of €87 million, or 12.6%, compared with 2008.

EBIT in 2009 amounted to €398 million, an increase of €80 million, or 25.2%, compared with 2008. The improved operating performance was due to higher core business revenue (+€87 million) and lower operating costs (+€10 million), which were in turn attributable mainly to reduced personnel expense. These effects were partly offset by a reduction in other revenue (-€10 million), owing essentially to lower net income from energy efficiency securities¹⁴ and higher amortisation and depreciation (-€7 million).

¹² The figures for the 2009 financial year do not include the full consolidation of Acqua Campania S.p.A. as Italgas no longer has control thereof. In order to ensure a like-for-like comparison, the figures for 2008 are shown with a separate mention for the part attributable to Acqua Campania S.p.A. Following valuation of the shareholding using the equity method, there is no change in the group share of net profit and equity. In addition, the figures for 2008 have been reclassified in the same way as those for 2009, displaying: (i) operating costs net of expenses for the acquisition of energy efficiency securities (€21 million), recorded as a decrease in relative income; (ii) distribution revenues net of tariff-related expenses (€17 million), recorded in 2008 under operating costs.

¹³ The Electricity and Gas Authority introduced a new method to determine gas distribution tariffs in its resolution no. 159/08 applicable from 1 January 2009 and for the entire four years of the regulatory period (i.e., until 2012). The main variation is the method used to determine revenue owed to gas distributors for their services. Before introduction of the above resolution, this revenue was determined using the tariffs set by the Authority for the volumes actually distributed in the period under review. Now, however, total revenue for each year of the regulatory period is a pre-set amount decided when the tariff requests are approved, called the Vincolo dei Ricavi Totali (VRT), being the maximum remuneration recognised by the Authority for each operator to cover its costs. Any positive or negative differences between the VRT and the revenue arising from the amounts invoiced for the volumes actually carried to the distributors are settled using an equalisation mechanism with receivables and payables due from and to the Cassa Conguaglio Settore Elettrico.

¹⁴ Legislative Decree no. 164 of 23 May 2000 stipulates that natural gas distribution firms set consumption reduction and energy savings targets to be met through raising energy efficiency, and that they are awarded energy efficiency certificates (established by the ministerial decrees of 20 July 2004) depending on the results achieved. The energy efficiency targets can be met either by implementing energy efficiency policies or by purchasing certificates from other parties. Once the energy efficiency target is met, cancelling the excess certificates triggers repayment by the Cassa Conguaglio Settore Elettrico (Electricity Equalisation Fund) on the basis of dedicated funds built up through distribution tariff increases.



Net profit (€275 million) increased by €47 million, or +20.6%, compared with 2008, due largely to the combined effects of the following: (i) higher EBIT (+€80 million); (ii) higher net income from equity investments (+€13 million), relating mainly to shares of the results for the period of subsidiaries and affiliates valued using the equity method; (iii) lower net financial charges (+€11 million) on the back of a reduction in market interest rates; (iv) higher income taxes (-€57 million), owing primarily to higher pre-tax profit.

Operating review

Investments

(€million)	2008	2009	Change	%change
Maintaining the network	138	194	56	40.6
Extending and upgrading the network	103	92	(11)	(10.7)
New networks	6	17	11	
Other investments	41	31	(10)	(24.4)
	288	334	46	16.0

Investments (gross of grants) came to €334 million (€288 million in 2008), an increase of €46 million, or 16%, on 2008.

Network maintenance investments (€194 million) mainly involved renovating sections of obsolete pipes by replacing cast-iron pipes, especially in Rome's municipal network, and stepping up the metering unit replacement programme.

Network extension and upgrade investments (€92 million) mainly involved extending existing networks in response to commitments arising from concession contracts and building new infrastructures, particularly in Calabria.

Other investments (€31 million) related mainly to property and IT investments.

Gas distribution

The volume of gas carried by the group's distribution network in 2009 was 7,537 million cubic metres, an increase of 106 million cubic metres, or 1.4%, compared with 2008, due essentially to weather conditions and network development.

At 31 December 2009, the group had concessions for gas distribution services in 1,441 municipalities (compared with 1,438 at 31 December 2008) with 5,770,672 active meters at gas delivery points to end users (households, businesses, etc.), compared with 5,676,105 at 31 December 2008.



Distribution network

The group's gas distribution network at 31 December 2009 spanned 49,973 km and consisted of different pipes for different pressures:

- main supply pipes (greater than 12 bar);
- medium-pressure pipes (up to 5 bar);
- low-pressure pipes (up to 0.04 bar).

The 563km increase from 31 December 2008 is due to the balance of increases and decreases in the network. The increases are primarily due to:

- acquisition of the tendered gas distribution concession in the Cerro Maggiore municipality;
- acquisition of the business unit which distributes gas in the Settimo Torinese and Brandizzo municipalities;
- partial acquisition of the business unit which distributes gas in the municipalities of Alimena, Bompietro and Blufi in Palermo and Sperlinga (network to be constructed) and the village of Villadoro in Nicosia, Enna;
- construction of new networks, particularly in Calabria;
- extension of networks to meet commitments deriving from concession contracts;
- service access requests from end users (households, businesses, etc.).

The decreases are attributable mainly to the sale of gas networks in the Bussolengo, Liscate, Castiglione delle Stiviere and Capriolo municipalities to other operators following interruption of distribution services and decommissioning of old pipes.

Customers

At 31 December 2009, the group transported the gas of 166 retail companies in its distribution networks, compared with 132 companies at 31 December 2008.



Natural gas storage

(€ million)

	2008	2009	Change	% change
Core business revenue (*)	304	344	40	13.2
Operating costs	68	64	(4)	(5.9)
EBIT	172	214	42	24.4
Net profit	83	121	38	45.8
Investments	266	282	16	6.0
Natural gas moved through the storage system (billions of cubic metres)	11.57	16.52	4.95	42.8
- of which injected	6.30	7.81	1.51	24.0
- of which withdrawn	5.27	8.71	3.44	65.3
Available storage capacity (billions of cubic metres) (**)	8.6	8.9	0.3	3.5
Customers (number)	48	56	8	16.7

(*) Before elimination of intra-segment dealings.

(**) 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 for 2009

Core business revenue (€344 million) increased by €40 million, or 13.2%, compared with 2008. The rise was due mainly to higher storage service revenue (+12.2%) related to new capital expenditure.

Storage revenue for the 2009 financial year was €341 million, of which €273 million and €68 million respectively related to modulation and strategic storage (€304 million in 2008, of which €241 million and €63 million respectively related to modulation and strategic storage).

EBIT for 2009 amounted to €214 million, an increase of €42 million, or 24.4%, compared with 2008. The improved operating performance owed mainly to higher core business revenue (+€40 million).

Net profit (€121 million) increased by €38 million, or 45.8%, compared with 2008, owing to higher EBIT (+€42 million) and smaller net financial expense (+€13 million) because of lower market interest rates, the effects of which were partly offset by higher income taxes (-€17 million) as a result of more pre-tax profit.



Operating review for the 2009 financial year

Investments

	2008	2009	(€ million)	
			Change	% change
Structural investments	135	221	86	63.7
Investments with incentive of 4% over 16 years	135	221	86	63.7
Upgrading capacity	111	36	(75)	(67.6)
Investments with incentive of 4% over 8 years	111	36	(75)	(67.6)
Maintenance and other investments	20	25	5	25.0
	266	282	16	6.0

Investments in 2009 amounted to €282 million, an increase of €16 million, or 6.0%, compared with 2008.

Pursuant to Resolution no. 50/06 of the Electricity and Gas Authority, relating to the second regulatory period (1 April 2006 - 31 March 2010), incentivising investments means applying a rate of return that is four percentage points higher than the base rate, over eight years for upgrading existing capacity and over 16 years for structural investments.

Investments with an **incentive of 4% over 16 years** (€221 million) involved mainly the development of new levels for the Fiume Treste concession, entailing the predicted first increase in capacity of 150 million standard cubic metres (scm), made available for the thermal year 2009-2010.

Investments with an **incentive of 4% over 8 years** (€36 million) involved mainly increasing pressure at existing fields and building new gas wells to maximise delivery services.

Natural gas moved through the storage system

Volumes of gas moved through the storage system in 2009 amounted to 16.52 billion cubic metres, an increase of 4.95 billion cubic metres, or 42.8%, compared with 2008. This rise was attributable to:

- substantial withdrawals of gas in relation to the Russian supply crisis of January 2009;
- subsequent greater injections to restore the volumes withdrawn and gradually replenish the additional capacity made available for the thermal year 2009-2010. The final replenishment of capacity was not total (around 95%);
- considerable withdrawals beginning in October and becoming even greater in December.

Customers

At 31 December 2009, the group provided natural gas storage and modulation services to 56 companies (compared with 48 at 31 December 2008), including 54 companies not belonging to Eni.

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



Revenue

(€ million)

	2008	2009	Change % change	
Core business revenue	1,902	2,438	536	28.2
Business segment				
Transportation	1,882	1,865	(17)	(0.9)
Regasification	37	36	(1)	(2.7)
Distribution		406	406	
Storage		161	161	
Consolidation adjustments	(17)	(30)	(13)	76.5
Other revenue	8	30	22	
Total revenue	1,910	2,468	558	29.2

Revenue – Regulated and non-regulated activities

(€ million)

	2008	2009	Change % change	
Regulated business revenue	1,887	2,423	536	28.4
Transportation	1,867	1,848	(19)	(1.0)
Regasification	20	21	1	5.0
Distribution		407	407	
Storage (*)		147	147	
Non-regulated business revenue	23	45	22	95.7
Total revenue	1,910	2,468	558	29.2

(*) Net of modulation services (€11 million) provided to Snam Rete Gas.

Operating costs

(€ million)

	2008	2009	Change % change	
Business segment				
Transportation	388	399	11	2.8
Regasification	30	27	(3)	(10.0)
Distribution		147	147	
Storage		38	38	
Consolidation adjustments	(19)	(30)	(11)	57.9
	399	581	182	45.6



Operating costs – Regulated and non-regulated activities

(€ million)

	2008	2009	Change	% change
Regulated business costs	395	567	172	43.5
Controllable fixed costs	209	352	143	68.4
Variable costs	135	117	(18)	(13.3)
Other costs	51	98	47	92.2
Non-regulated business costs	4	14	10	
	399	581	182	45.6

Amortisation, depreciation and impairment losses

(€ million)

	2008	2009	Change	% change
Amortisation and depreciation	489	613	124	25.4
Business segments				
Transportation	485	499	14	2.9
Regasification	4	4		
Distribution		75	75	
Storage		35	35	
Impairment				
	489	613	124	25.4

EBIT

(€ million)

	2008	2009	Change	% change
Business segments				
Transportation	1,017	974	(43)	(4.2)
Regasification	5	5		
Distribution		203	203	
Storage		92	92	
	1,022	1,274	252	24.7



Net financial expense

(€ million)

	2008	2009	Change	% change
Financial expense related to net financial debt	(276)	(166)	110	(39.9)
- Charges on short- and long-term financial debt	(276)	(166)	110	(39.9)
(Expense) Income on derivative contracts	27	(66)	(93)	
- Fair-value adjustment	(2)	(2)		
- Difference in interest accrued in the period	29	(64)	(93)	
Other financial (expense) income	(3)	(9)	(6)	
- Accretion discount	(1)	(11)	(10)	
- Other net financial income (expense)	(2)	2	4	
Financial expense capitalised	26	24	(2)	(7.7)
	(226)	(217)	9	(4.0)

Net income from equity investments

(€ million)

	2008	2009	Change	% change
Natural gas distribution				
Equity method valuation effect		21	21	
Capital gains from sale of equity investments		3	3	
Other expense		(2)	(2)	
		22	22	

Income taxes

(€ million)

	2008	2009	Change	% change
Current taxes	291	402	111	38.1
(Advanced) deferred taxes				
Deferred taxes	(37)	(44)	(7)	18.9
Advanced taxes	12	(11)	(23)	
	(25)	(55)	(30)	
Tax rate (%)	33.4	32.2	(1.2)	
	266	347	81	30.5



Reclassified consolidated balance sheet

(€ million)

	31.12.2008	31.12.2009	Change
Property, plant and equipment	10,549	16,025	5,476
Compulsory inventories		405	405
Intangible assets	39	741	702
Equity investments		301	301
Financial receivables held for operating activities		2	2
Net payables for investments	(286)	(397)	(111)
Fixed capital	10,302	17,077	6,775
Net working capital	(464)	(1,332)	(868)
Provisions for employee benefits	(29)	(107)	(78)
Assets held for sale and directly related liabilities		14	14
Net invested capital	9,809	15,652	5,843
Equity (including minority interests)	3,573	5,703	2,130
Net financial debt	6,236	9,949	3,713
Coverage	9,809	15,652	5,843

Fixed capital (€17,077 million) increased by €6,775 million compared with 31 December 2008, due essentially to the change in consolidation scope on 30 June 2009 (+€6,110 million).

Changes in property, plant and equipment and intangible assets (+€6,178 million) are analysed below:

(€ million)

	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2008	10,549	39	10,588
Investments	1,218	36	1,254
Change in consolidation scope	4,811	700	5,511
Amortisation, depreciation and impairment	(579)	(34)	(613)
Transfers, eliminations and divestments	(24)		(24)
Other changes	50		50
Balance at 31 December 2009	16,025	741	16,766

Investments in 2009 amounted to €1,254 million, of which €172 million and €149 million respectively related to the natural gas distribution and storage business segments¹⁵.

The change in consolidation scope of €5,511 million comprises the carrying amount at 30 June 2009 of property, plant and equipment and intangible assets from the acquisition of Italgas and Stogit – equal to €3,566 million and €1,945 million, respectively.

¹⁵ Investments made by acquired companies refer to the period 1 July - 31 December 2009. Investments made by these companies before the acquisition are included under the item "Change in consolidation scope".



Other changes (+€50 million) relate essentially to: (i) the transfer, from the item "Inventories", of natural gas for use in the transportation network (+€59 million)¹⁶; (ii) the transfer from the warehouse of goods (essentially pipes and their accessories) destined for investment activities and not yet used for constructing plants (+€34 million); (iii) the revision of estimates for the abandonment and restoration of sites (+€21 million); (iv) grants for the period (-€67 million).

Compulsory inventories (€405 million) correspond to 5,009 million standard cubic metres of natural gas. The full measurement of provisions is established annually by the Ministry for Economic Development.

Equity investments

This item (€301 million) relates primarily to the equity-method valuation of stakes in jointly controlled companies (€249 million) and associated companies (€51 million).

Net working capital

(€ million)

	31.12.2008	31.12.2009	Change
Trade receivables	417	738	321
Inventories	128	411	283
Tax receivables (*)	6	21	15
Other assets (*)	26	145	119
Deferred tax liabilities	(487)	(934)	(447)
Provisions for risks and charges	(52)	(669)	(617)
Trade payables	(161)	(471)	(310)
Accruals and payables for regulated business revenue	(190)	(235)	(45)
<i>Fair value of derivative instruments</i>	(39)	(78)	(39)
Tax payables	(48)	(67)	(19)
Other liabilities	(64)	(193)	(129)
	(464)	(1,332)	(868)

(*) Tax receivables of €2 million have been reclassified from "Other assets" (at 31 December 2008) to "Tax receivables".

Net working capital (-€1,332 million) decreased by €868 million compared with 31 December 2008, mainly as a result of the change in consolidation scope on 30 June 2009, which led to the recognition of net liabilities of €948 million, and of operating changes in the period (+€80 million)¹⁷. These changes are mainly due to: (i) higher trade receivables (+€160 million), relating essentially to the natural gas distribution segment; (ii) smaller deferred tax liabilities (+€72 million), particularly following the return of deferred taxes relating to amortisation and depreciation carried out – purely for tax purposes – in previous financial years; (iii) the increase in other assets (+€39 million) owing mainly to higher receivables from Cassa Conguaglio Settore Elettrico for the redemption of energy efficiency certificates in the distribution business segment, as well as a higher December VAT advance to ultimate parent Eni S.p.A. These factors were partly offset by: (i) higher provisions for risks and charges (-€75 million), owing particularly to the fund for dismantling and restoring sites in the storage business segment, as well as to the recognition of provisions for environmental funds and disputes; (ii) a reduction in the fair value

¹⁶ The gas used in a pipeline can be distinguished in *Initial Line Pack* (IL), which represents the quantity of gas injected into the network when a pipeline is put into service (not economically recoverable) and *Operating Line Pack*, which is the difference between the total quantity of gas used in a pipeline and the IL.

¹⁷ Changes for the natural gas distribution and storage business segments relate to the second half of the year.



of derivative instruments (-€39 million) as a result of lower market interest rates. The reduction of inventories (-€83 million), owing mainly to the factors shown in the previous item "Property, plant and equipment", also contributed to lower net working capital.

Assets held for sale and directly related 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).

Statement of comprehensive income

(€ million)	2008	2009
Net profit for the period	530	732
Other components of comprehensive income		
Change in fair value of cash flow hedge derivatives (effective share)	(108)	(29)
Tax effects of the other components of comprehensive income	30	8
Total other components of comprehensive income, net of tax effect	(78)	(21)
Total comprehensive income for the period	452	711
attributable to:		
- Snam Rete Gas	452	711
- Minority shareholders		
	452	711

Equity

	(€ million)
Equity at 31 December 2008	3,573
<i>Increases owing to:</i>	
- Share capital increase (a)	3,474
- Comprehensive income for 2009	711
- Other changes	3
	4,188
<i>Decreases owing to</i>	
- Difference between acquisition cost of equity investments and book equity of Italgas and Stogit (b)	(1,585)
- Additional expense for the share capital increase (c)	(23)
- Distribution of balance of 2008 dividend	(247)
- Distribution of interim 2009 dividend	(203)
	(2,058)
Equity including minority interests at 31 December 2009	5,703
attributable to:	
- Snam Rete Gas	5,702
- Minority shareholders	1
	5,703

(a) Includes the share premium of €1,860 million, of which €3 million relates to collecting unexercised options.

(b) Includes the price adjustment effect (€1 million), recognised following the agreements signed during the acquisition of Stogit and deriving from the retrocession to Eni of part of the capital gain on the sale of gas from Stogit to Snam Rete Gas.

(c) Net of the tax effect of €8 million.

At 31 December 2009, Snam Rete Gas had 194,886,225 treasury shares (compared with 195,429,850 at 31 December 2008), equal to 5.46% of the share capital. Their market value at 31 December 2009 was €674 million¹⁸.

¹⁸ Calculated by multiplying the number of treasury shares by the year-end official price of €3.46 per share.



Net financial debt and leverage

Leverage measures the company's degree of debt and is calculated as the ratio between net financial debt and net invested capital. It is one of the main indicators of capital solidity and efficiency.

	(€ million)		
	31.12.2008	31.12.2009	Change
Financial liabilities	6,237	9,986	3,749
Short-term financial liabilities	1,023	1,585	562
Current share of long-term financial liabilities	14	915	901
Long-term financial liabilities	5,200	7,486	2,286
Financial receivables and cash and cash equivalents	(1)	(37)	(36)
Financial receivables not held for operations	(1)	(1)	
Cash and cash equivalents		(36)	(36)
	6,236	9,949	3,713

Net financial debt amounted to €9,949 million, an increase of €3,713 million compared with 31 December 2008, due to financial requirements relating to: (i) investments in the newly consolidated companies (-€6,693 million, including €4,474 million of outlays¹⁹, net of cash acquired, and financial liabilities of €2,219 million acquired on the transaction completion date - €1,151 million and €1,068 million for Italgas and Stogit respectively); (ii) net investments for the period (-€1,179 million); (iii) settlement of the 2008 dividend of €0.14 per share, paid from 21 May 2009 (-€247 million) and payment of the 2009 interim dividend of €0.06 per share, paid from 22 October 2009 (-€203 million). These factors were partly offset by: (i) net cash flows of equity related to the share capital increase (+€3,443 million, including the share premium and net of outlays to cover additional transaction costs); (ii) cash inflows from operating activities (+€1,164 million).

Long-term financial liabilities of €7,486 million make up 75% of financial debt (83% at 31 December 2008). The average duration of the long-term loans is approximately four years.

A breakdown of the liabilities by type of interest rate at 31 December 2009 is as follows:

	(€ million)				
	31.12.2008	%	31.12.2009	%	Change
Floating rate	2,524	40	4,270	43	1,746
Fixed rate	3,713	60	5,716	57	2,003
	6,237	100	9,986	100	3,749

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

The floating-rate financial liabilities (€4,270 million) increased by €1,746 million compared with 31 December 2008, owing primarily to the change in consolidation scope on 30 June 2009 (€1,461 million) and to taking out two new loans with ultimate parent Eni S.p.A (€600 million in total, of which €300 million from the European Investment Bank). At 31 December 2009, floating-rate financial liabilities from acquired companies amounted to €1,090 million.

Fixed-rate financial liabilities (€5,716 million) increased by €2,003 million, due mainly to taking out three new floating-rate loans with ultimate parent Eni S.p.A (a total of €1,250 million), converted into fixed-rate loans by interest rate swaps, and to consolidating debts from the acquired companies on completion of the transaction (€758 million). At 31 December 2009, fixed-rate financial liabilities from acquired companies amounted to €1,310 million.

¹⁹ Equal to the acquisition price established on completing the transaction (€4,512 million), net of cash acquired (€38 million).



Leverage - the ratio of net financial debt to net invested capital - is 63.6% (unchanged from 31 December 2008).

There are no financial liabilities subject to covenants. There were no breaches of loan agreements at the reporting date.

Other information

Litigation

Gas metering

The Public Prosecutor of Milan opened a criminal investigation in relation to gas metering to the legitimacy and reliability of the so-called Venturi metering units used by various companies in the gas industry.

The case involves Snam Rete Gas and some of its managers, and the metering facility at Mazara del Vallo has been placed under precautionary seizure; the company is being investigated pursuant to Articles 24 and 25-*ter* of Legislative Decree 231/2001.

The company wishes to state that:

- the reliability of the Venturi metering system, particularly the facility at Mazara del Vallo which is the Italian entry point for the Algerian gas import pipeline and was designed and built with Venturi metering units at the beginning of the 1980s and subsequently extended in 1994, has been confirmed by some of the most respected national and international metrology institutions;
- the Mazara del Vallo metering facility was authorised by the Finance Ministry both when it first came into operation and during its subsequent upgrade;
- Venturi metering systems are in use throughout the world. In Europe, they can be found in the UK, Germany, France, Austria and Norway;
- In Italy, this type of metering instrument has been approved consistently for more than a decade, with a positive verdict on its technical procedure since December 1999. The need to finalise this case has been reiterated by Snam Rete Gas to the Industry Ministry (now the Ministry for Economic Development).

The company is co-operating with the relevant authorities by declaring its trust in the reliability of the metering system used at Mazara del Vallo. The company believes in the judicial branch and is confident that the outcome of the case will justify its conduct.

On November 2009, within the above mentioned broader criminal case relating to the gas metering, notice of the conclusion of the preliminary investigations related to tax aspects was served upon some managers and head of internal department (including some no longer employees of the company).

The investigation covers the period from 2003 to 2007 and is related primarily to annual natural gas consumption reports and to assessment and/or payment of excise duties on natural gas, as well as to the obstruction of supervisory authorities.

With the support of independent external experts, the administrative, tax and EU aspects related to the allegations are studied in depth. Reassured by the advice given, the company maintains that the allegations are groundless. Therefore, any potential negative financial impact is unlikely.



snam rete gas

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 co-ordination of others, there are no conditions preventing the quotation of Snam Rete Gas S.p.A shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.



Format of reclassified consolidated financial statements

RECLASSIFIED INCOME STATEMENT

(€ million)

	2008	2009	Change	% change
Core business revenue	1,902	2,438	536	28.2
Other income	8	30	22	
Total revenue	1,910	2,468	558	29.2
Operating costs (*)	(399)	(581)	(182)	45.6
Gross operating margin	1,511	1,887	376	24.9
Amortisation, depreciation and impairment losses	(489)	(613)	(124)	25.4
EBIT	1,022	1,274	252	24.7
Net financial expense	(226)	(217)	9	(4.0)
Net income from equity investments		22	22	
Pre-tax profit	796	1,079	283	35.6
Income taxes	(266)	(347)	(81)	30.5
Net profit (**)	530	732	202	38.1

(*) Operating costs comprise the items "Purchases, services and other costs" and "Personnel expense" from the consolidated financial statements.

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

Reclassified consolidated balance sheet

The reclassified consolidated balance sheet combines the assets and liabilities of the balance sheet format included in the annual consolidated financial statements and condensed half-year 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 format is used by Management to calculate the key leverage and profitability ratios.

RECLASSIFIED BALANCE SHEET

(€ million)

	31.12.2008	31.12.2009	Change
Property, plant and equipment	10,549	16,025	5,476
Compulsory inventories		405	405
Intangible assets	39	741	702
Equity investments		301	301
Financial receivables held for operations		2	2
Net payables for investments	(286)	(397)	(111)
Fixed capital	10,302	17,077	6,775
Net working capital	(464)	(1,332)	(868)
Provisions for employee benefits	(29)	(107)	(78)
Assets held for sale and directly related liabilities		14	14
Net invested capital	9,809	15,652	5,843
Equity (including minority interests)	3,573	5,703	2,130
Net financial debt	6,236	9,949	3,713
Coverage	9,809	15,652	5,843



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

The reclassified consolidated statement of cash flows set out below summarises the legally required format. It 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 STATEMENT OF CASH FLOWS

(€ million)

	2008	2009
Net profit	530	732
<i>Adjusted by:</i>		
- Amortisation, depreciation and other non-monetary components	488	622
- Interest, income taxes and other changes	490	552
Cash flow from operating activities before changes in working capital	1,508	1,906
Change in working capital due to operating activities	90	(140)
Interest and income taxes received (paid)	(545)	(602)
Net cash flow from operating activities	1,053	1,164
Investments in property, plant and equipment and intangible assets	(1,097)	(1,225)
Change in consolidation scope		(4,474)
Divestments	2	30
Net payables for investments	74	16
Free cash flow	32	(4,489)
Change in financial liabilities	354	1,530
Equity cash flow	(386)	2,995
Net cash flow for the period	0	36

CHANGE IN NET FINANCIAL DEBT

(€ million)

	2008	2009
Free cash flow (*)	32	(4,489)
Financial payables and receivables from acquired companies		(2,219)
Equity cash flow	(386)	2,995
Change in net financial debt	(354)	(3,713)

(*) Includes the effect of acquired companies entering the consolidation scope.