



SNAM RETE GAS ANNOUNCES RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2009

San Donato Milanese, 27 October 2009 – The Snam Rete Gas Board of Directors has today approved consolidated results for the first nine months of 2009 and for the third quarter of 2009 (these have not been audited)¹. The interim report to 30 September 2009 includes the effects of the acquisition of Italgas and Stogit as of 30 June 2009, the completion date of the transaction. *Consequently, the income statement includes the effects of consolidating the companies acquired in the third quarter of 2009*².

Financial highlights

- **Core business revenue: €1,630 million in the first nine months (+18.7%); €713 million in the quarter (+62.4%)**
- **EBIT: €843 million in the first nine months (+15.3%); €399 million in the quarter (+72.7%)**
- **Net profit: €468 million in the first nine months (+25.5%); €234 million in the quarter (+€120 million)**
- **Investments: €781 million in the first nine months**

Operating highlights

- **Gas injected into the transportation network: 55.34 billion cubic metres in the first nine months (-12.7%); 17.24 billion cubic metres in the quarter (-4.3%)**
- **Natural gas moved through the storage system: 13.35 billion cubic metres in the first nine months (+41.3%); 3.0 billion cubic metres in the quarter (+28.2%)**
- **Volumes of natural gas carried in the distribution network: 5,053 million cubic metres in the first nine months (+1.3%); 621 million cubic metres in the quarter (+1.8%)**

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

“The first nine months of 2009 have ended positively, with EBIT up 15.3% and net profit climbing 25.5% compared with the same period in 2008. These results were achieved thanks to the positive contribution from the distribution and storage activities consolidated as of the third quarter of the year, as well as our performance in the transportation sector which was broadly in line with the same period in 2008 despite the decrease in gas demand”.

¹ This press release represents the quarterly report required by article 154-ter of the “Testo Unico della Finanza” (TUF).

² In order to assess fully the operating performance of natural gas distribution and storage activities, notes to the major economic results for the first nine months of 2009 are shown in the information for each business segment.



Financial highlights

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
439	713	Core business revenue	1,373	1,630	257	18.7
435	708	<i>of which regulated business revenue</i>	1,364	1,618	254	18.6
89	148	Operating costs	288	375	87	30.2
231	399	EBIT	731	843	112	15.3
114	234	Net profit	373	468	95	25.5
0.06	0.07	Net profit per share (*)	€ 0.21	0.20	(0.01)	(4.8)
0.13	0.12	EBIT per share (*)	€ 0.42	0.36	(0.06)	(13.3)
263	343	Investments	740	781	41	5.5
1,761.0	3,375.4	Number of shares outstanding at end of period	(millions) 1,761.0	3,375.4	1,614.4	91.7
1,761.0	3,375.4	Weighted average number of shares outstanding in the period (**)	(millions) 1,760.9	2,311.0	550.1	31.2

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

(**) 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).

First nine months of 2009

- ❖ EBIT of €843 million increased by 15.3% compared with the first nine months of 2008, due to the contribution of the natural gas distribution (€110 million) and storage (€38 million) business segments after consolidating Italgas and Stogit. This was partially offset by a weaker operating performance in transportation (-€34 million) owing essentially to: a reduction in transportation revenue related to smaller volumes of natural gas transported (-€8.06 billion cubic metres), an increase in operating costs, due primarily to greater provisions for risks and charges and a rise in amortisation and depreciation. The regasification business recorded EBIT of €3 million, down by €2 million versus the first nine months of 2008.
- ❖ Net profit of €468 million increased by €95 million, or 25.5%, compared with the corresponding period in the previous year, essentially because of higher EBIT (+€112 million) and income from equity investments (€14 million), relating primarily to the results for the period of subsidiaries and affiliates valued using the equity method. These factors were partially offset by an increase in income taxes (-€38 million) brought about by higher pre-tax profit.
- ❖ Investments (€781 million) were related mainly to developing and maintaining the transportation infrastructure (€629 million). Investments relating to the gas distribution and storage business segments, and made as from the acquisition completion date (30 June 2009), were €80 million and €67 million respectively.
- ❖ Net financial debt of €9,600 million increased by €3,364 million compared with 31 December 2008, mainly due to the acquisition of Italgas and Stogit, which led to consolidation of their respective net financial debts.



Third quarter of 2009

- ❖ EBIT of €399 million in the third quarter of 2009 increased by €168 million, or 72.7%, compared with the same period in the previous year. The increase is due to the effects of consolidating acquired companies, with contributions of €110 million and €38 million respectively, from the natural gas distribution and storage business segments, and to a better operating performance in the transportation business (+€20 million). This improvement relates to higher transportation revenues (+€11 million, net of components that are offset in costs), primarily due to the contribution of investments made in 2007, and to lower operating costs (+€10 million, net of components that are offset in revenue), essentially as a result of using reserves for risks and charges (+€7 million).
- ❖ Net profit of €234 million increased by €120 million compared with the same period in the previous year, owing mainly to higher EBIT (+€168 million) and income from equity investments (+€14 million). These factors were partially offset by an increase in income taxes (-€50 million), brought about by higher pre-tax profit, and by higher net financial charges (-€12 million), related mainly to consolidating Italgas and Stogit and financing the acquisition.
- ❖ Investments of €343 million increased by €80 million compared with the third quarter of 2008, owing to the contribution from the natural gas distribution (€80 million) and storage (€67 million) business segments. Investments in the natural gas transportation business segment amounted to €194 million – a reduction of €68 million, or 26%, compared with the same period in the previous year.

Leverage

The leverage ratio (net financial debt/net invested capital) is 63.9% (63.6% at 31 December 2008).



Operating highlights

Third quarter			First nine months		Change	% Change
2008	2009		2008	2009		
Natural gas transportation (*)						
18.02	17.24	Natural gas injected into the national gas transportation network (billions of cubic metres) (**)	63.40	55.34	(8.06)	(12.7)
11.41	9.77	- for Eni	38.64	29.81	(8.83)	(22.9)
6.61	7.47	- for other operators	24.76	25.53	0.77	3.1
31,242	31,557	Transportation network (kilometres in use)	31,242	31,557	315	1.0
8,604	8,849	- National network	8,604	8,849	245	2.8
22,638	22,708	- Regional network	22,638	22,708	70	0.3
LNG Regasification (*)						
0.27	0.19	Regasification of liquefied natural gas (LNG) (billions of cubic metres)	1.18	0.83	(0.35)	(29.7)
0.27	0.16	- for Enel Trade	0.91	0.66	(0.25)	(27.5)
		- for Eni	0.27	0.08	(0.19)	(70.4)
	0.03	- for other operators		0.09	0.09	
Natural gas distribution (*) (***)						
610	621	Gas carriage (millions of cubic metres)	4,986	5,053	67	1.3
1,432	1,441	Distribution concessions (number)	1,432	1,441	9	0.6
49,013	49,625	Distribution network (kilometres)	49,013	49,625	612	1.2
5,649,513	5,740,546	Active meters (number)	5,649,513	5,740,546	91,033	1.6
Natural gas storage (*) (***)						
10	10	Storage concessions (number)	10	10		
2.34	3.00	Quantities of natural gas moved through the storage system (billions of cubic metres)	9.45	13.35	3.90	41.3
2.32	3.00	- of which injected	5.71	7.30	1.59	27.8
0.02		- of which withdrawn	3.74	6.05	2.31	61.8
8.6	8.9	Natural gas storage (billions of cubic metres) (****)	8.6	8.9	0.3	3.5

(*) 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.

(**) The figures for the first nine months of 2009 are updated to 13 October 2009. The figures for 2008 are in line with those published by the company in its transportation network gas energy report.

(***) In order to obtain a like-for-like comparison of the acquired companies' main operating data, the corresponding values for the first nine months and for the third quarter of 2008 have been shown.

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

First nine months of 2009

- ❖ The volumes of natural gas injected into the transportation network amounted to 55.34 billion cubic metres (-12.7%). This decrease was due to the reduction in domestic natural gas demand in the period and to the negative balance of withdrawals (-) and injections (+) of gas from and into storage (approximately -0.8 billion cubic metres).
- ❖ Regasified LNG volumes were 0.83 billion cubic metres (-29.7%).
- ❖ The volumes of gas carried by the group's distribution network were 5.053 billion cubic metres, an increase of 67 million cubic metres, or 1.3%, compared with the same period in the previous year, due essentially to different weather conditions.
- ❖ During the first nine months of 2009, 13.35 billion cubic metres of natural gas were moved through the group's storage system, an increase of 3.9 billion cubic metres, or 41.3%, compared with the first nine months of 2008 because of greater withdrawals (+61.8%). Storage capacity as of 30 September 2009 was approximately 8.9 billion cubic metres, an increase of 3.5% compared with the same time a year earlier.



Third quarter of 2009

- ❖ The volumes of natural gas injected into the transportation network amounted to 17.24 billion cubic metres (-4.3%). This decrease was due to the reduction in natural gas demand, the effects of which were partly offset by larger volumes of gas injected into the storages.
- ❖ Regasified LNG volumes were 0.19 billion cubic metres (-29.6%).
- ❖ The volumes of gas carried by the group's distribution network were 621 million cubic metres (+1.8%).
- ❖ In the third quarter of 2009, 3 billion cubic metres of natural gas were moved in and out of the group's storage system (+28.2%).

Acquisition of Italgas and Stogit

On 30 June 2009, the acquisition from Eni of the entire share capital of Italgas S.p.A. and Stogit, the major players in the Italian natural gas distribution and storage sectors, respectively, 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 offering new shares 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.

Effects of the acquisition

The acquisition of Italgas and Stogit involved consolidating the following financial positions as of 30 June 2009, the transaction completion date.



(€ million)

	Italgas Group	Stogit	Total
Current assets	267	391	658
Non-current assets	3,853	2,356	6,209
Assets held for sale	37		37
Total assets acquired	4,157	2,747	6,904
Current liabilities	(983)	(506)	(1,489)
Non-current liabilities	(1,157)	(1,318)	(2,475)
Liabilities held for sale	(12)		(12)
Total liabilities acquired	(2,152)	(1,824)	(3,976)
Equity acquired	2,005	923	2,928
- attributable to Snam Rete Gas	2,004	923	2,927
- attributable to minority interests	1		1
	2,005	923	2,928

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 led to a decrease of €1,584 million in consolidated equity.

The results for the first nine months of 2009 include the economic effects of consolidating Italgas and Stogit as from the acquisition date, i.e. in the third quarter of 2009. The third-quarter net profit from the natural gas distribution and storage business segments amounted to €85 million and €19 million respectively⁴.

Outlook

❖ *Natural gas transportation*

Gas demand in Italy

Based on natural gas consumption trends in the first nine months of 2009 and on information currently available, natural gas demand at year-end is forecast to decrease compared with 2008.

Investments

The investment plan to upgrade transportation infrastructure in the four years from 2009 to 2012 continues on schedule. The forecasted outlay of roughly €4.3 billion, including approximately €1 billion in 2009, will ensure, among other things, higher safety levels and greater flexibility.

❖ *Natural gas distribution*

Based on the development action taken, the number of active delivery points at the end of 2009 is expected to increase slightly compared with the previous year.

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.

⁴ Net profit for the first half of 2009 - €126 million and €69 million respectively for the Italgas group and Stogit - was included in the relative equities on the acquisition date.



The spending forecast in the investment plan for 2009 is expected to increase compared with 2008.

❖ *Natural gas storage*

Total capacity for natural gas storage services in the thermal year 2009-2010 is approximately 14 billion cubic metres, an increase of some 0.3 billion cubic metres on the maximum available capacity for the previous thermal year.

The spending forecast in the investment plan for 2009 is expected to increase compared with 2008.

This press release on the consolidated figures for the first nine months and third quarter of 2009 (unaudited) represents the quarterly report in accordance with the requirements of article 154-ter of the "Testo Unico della Finanza" (TUF). Economic and financial information has been prepared in accordance with the valuation 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 using the procedure under article 6 of EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002. The income statement figures relate to the first nine months and third quarters of 2009 and 2008. The balance sheet data refers to the situation at 30 September 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 consolidated results at 30 September 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%)⁵.

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

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.

⁵ 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 and future operating performance. 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.

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This press release relating to the consolidated results at 30 September 2009 (unaudited) is also available on the Snam Rete Gas website at www.snamretegas.it.



Summary of the results for the first nine months of 2009

EBIT⁶ in the first nine months of 2009 amounted to €843 million, an increase of €112 million, or 15.3%, on the same period of 2008. This was due essentially to a different consolidation scope, with contributions from the natural gas distribution and storage business segments of €110 million and €38 million, respectively. The operating performance of the transportation business was down by €34 million, mainly because of: (i) higher operating costs (-€13 million, net of components that are offset in revenue), owing to greater provisions for risks and charges (-€9 million) and higher fixed costs (-€5 million) linked primarily to increased labour costs; (ii) greater amortisation and depreciation (-€10 million); (iii) lower transportation revenue (-€9 million, net of components that are offset in costs), owing to reduced volumes of transported natural gas (-€49 million) and tariff updates (-€17 million), the effects of which were partially offset by the contribution from investments made in 2007 (+€57 million).

Net profit (€468 million) increased by €95 million, or 25.5%, compared with the same period in 2008. This increase is attributable to: (i) higher EBIT (+€112 million); (ii) income from equity investments (+€14 million), relating mainly to the results for the period of subsidiaries and affiliates valued using the equity method; (iii) lower net financial charges (+€7 million). These positive factors were partially offset by an increase in income taxes (-€38 million) brought about by higher pre-tax profit.

Core business revenue (€1,630 million) increased by €257 million compared with the first nine months of 2008 as a result of consolidating Italgas and Stogit.

Transportation revenues (€1,355 million) decreased by €3 million owing primarily to lower volumes of transported natural gas (-12.7%), largely offset by the contribution from investments. Distribution and storage revenues were €199 million and €68 million respectively.

Regulated business revenue (€1,618 million, net of consolidation adjustments) relates to transportation (€1,344 million), regasification (€15 million), distribution (€196 million) and storage (€63 million) of natural gas. **Non-regulated business revenue** (€12 million) relates mainly to income from renting and maintaining fibre-optic telecom cables (€7 million) and technical services.

Other revenue (€10 million) increased by €4 million and relates mainly to capital gains on tangible asset sales (€2 million), income from real estate investments (€2 million) and income from commercial dealings (€2 million).

Operating costs (€375 million) increased by €87 million compared with the same period in the previous year as a result of consolidating Italgas and Stogit. The increase is due primarily to labour costs (+€37 million), external costs (+€28 million) and higher provisions to risks and charges (+€8 million).

The workforce as of 30 September 2009 numbered 6,231 (compared with 2,326 on 30 September 2008), of whom 3,621 and 306 respectively were in the natural gas distribution and storage business segments.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses (€422 million) increased by €61 million compared with the same period last year due to amortisation and depreciation in natural gas distribution (€34

⁶ EBIT is analysed by considering only those elements that have led to a change therein, as application of the gas sector tariff regulations generates cost and revenue items which offset each other.



million) and storage (€17 million) activities, and higher amortisation and depreciation relating to transportation activities (+€10 million) owing to new infrastructure in the financial year.

Net financial expense

Net financial expense (€161 million) decreased by €7 million compared with the first nine months of 2008 as a result of lower market interest rates that offset higher net financial charges arising from the consolidation of Italgas (€6 million) and Stogit (€10 million) and from financing the acquisition.

In the first nine months of 2009, €15 million of financial charges were capitalised (this figure was €20 million in the same period of the previous year).

The average borrowing cost was approximately 3.04%⁷ (4.2% in the first nine months of 2008).

Income taxes

Income taxes (€228 million) increased by €38 million compared with the corresponding period in 2008 due to higher pre-tax profit owing to the effects of consolidating Italgas and Stogit.

The tax rate is 32.8%, compared with 33.7% in the same period of 2008.

Summary of the results for the third quarter of 2009

EBIT and net profit in the third quarter of 2009 - €399 million and €234 million respectively – increased by €168 million and €120 million, compared with the same period in the previous year.

This improvement was related to the economic effects of consolidating Italgas and Stogit which, as shown earlier, are considered as of the acquisition completion date (30 June 2009), i.e. in the third quarter of the year. As well as the respective contributions of €148 million and €104 million from the acquired companies to the group's EBIT and net profit, the third quarter of the year was characterised by an improvement – compared with the same period of 2008 – in the operating performance of transportation business (+€20 million) owing to higher transportation revenues (+€11 million) and lower operating costs (+€10 million).

⁷ The acquired companies' average cost of borrowing was calculated with reference to the third quarter of the year.



Information by business segment

This section shows information on the financial and operating performance of the Snam Rete Gas group's different business segments⁸ in the first nine months and third quarter of 2009. With reference to the natural gas distribution and storage business segments, in order to assess the operating performance of the first nine months of the year, the notes to the main results for the period 1 January – 30 September 2009 have been provided with evidence of the contribution to the group's consolidated accounts.

Natural gas transportation

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
434	448	Core business revenue (*)	1,358	1,355	(3)	(0.2)
86	77	Operating costs (*)	281	298	17	6.0
48	49	of which controllable fixed costs	152	149	(3)	(2.0)
230	250	EBIT	726	692	(34)	(4.7)
114	129	Net profit	371	363	(8)	(2.2)
18.02	17.24	Natural gas injected into the national transportation network (billions of cubic metres)	63.38	55.34	(8.04)	(12.7)
262	194	Investments	737	629	(108)	(14.7)

(*) Before elimination of intra-segment dealings.

Results

First nine months of 2009

Core business revenue (€1,355 million) is analysed below.

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
431	444	Natural gas transportation	1,349	1,344	(5)	(0.4)
2	2	Telecoms cable rental	7	7		
1	2	Other revenue	2	4	2	100.0
434	448		1,358	1,355	(3)	(0.2)

Revenue of €1,344 million in the first nine months of 2009 from the **natural gas transportation business** decreased by €5 million compared with the first nine months of 2008. This was due to the smaller volumes of natural gas transported (-€49 million) and tariff updates (-€17 million), the effects of which were partly offset by the contribution from investments made in 2007 (+€57 million).

EBIT in the first nine months of 2009 of €692 million declined by €34 million, or 4.7%, compared with the same period in the previous year, primarily as a result of: (i) increased operating costs (-€13

⁸ 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.



million, net of components that are offset in revenues) owing to greater provisions for risks and charges (-€9 million) and higher fixed costs (-€4 million), relating mainly to termination benefits; (ii) higher amortisation and depreciation costs (-€10 million) related to new infrastructure entered into operation in the financial year; (iii) lower transportation revenues (-€9 million, net of components that are offset in costs).

Third quarter of 2009

EBIT of €250 million was up by 8.7% essentially as a result of: (i) higher transportation revenues (+€11 million) which benefited from the contribution of investments made in 2007 (+€19 million) but suffered from the tariff update (-€6 million) and from reduced volumes of transported natural gas (-€2 million); (ii) lower operating costs (+€10 million), principally due to smaller variable costs for the purchase of fuel gas used by compression stations and for natural gas emissions from the network and plants (+€7 million) as well as to the net use of provisions for risks and charges (+€7 million). These factors were partially offset by higher amortisation and depreciation (-€3 million) related to transportation infrastructure entered into operation in the financial year.

Operating performance

First nine months of 2009

Quantities of natural gas injected into the national gas transportation network

(billions of m³)

Third quarter		First nine months			
2008	2009	2008	2009	Change	% change
2.29	2.02	6.94	6.16	(0.78)	(11.2)
15.73	15.22	56.46	49.18	(7.28)	(12.9)
5.32	4.11	18.26	16.25	(2.01)	(11.0)
4.80	5.70	18.23	15.89	(2.34)	(12.8)
3.19	2.81	11.56	8.95	(2.61)	(22.6)
2.12	2.30	7.14	7.13	(0.01)	(0.1)
	0.10		0.10	0.10	
0.03	0.01	0.09	0.03	(0.06)	(66.7)
0.27	0.19	1.18	0.83	(0.35)	(29.7)
18.02	17.24	63.40	55.34	(8.06)	(12.7)

The volumes of **natural gas injected into the national gas transportation network** in the first nine months of 2009 amounted to 55.34 billion cubic metres (-12.7%). This decrease was due to the reduction in domestic natural gas demand in the period, owing mainly to lower consumption by the industrial and thermoelectric sectors as a result of the effects of the economic downturn and to the negative balance of withdrawals (-) and injections (+) of gas into storage (approximately -0.8 billion cubic metres).

Volumes of natural gas injected into the national network from domestic production fields or their collection and treatment centres were €6.16 billion cubic metres, a reduction of 0.78 billion cubic metres, or 11.2%, compared with the first half of the previous year. In relation to imports by entry point, which fell by 12.9% compared with the first nine months of 2008, imports were lower from Gries Pass (-22.6%), Tarvisio (-12.8%), partly due to the crisis in the relations between Russia and Ukraine which stopped imports in January 2009, and Mazara del Vallo (-11%).



Investments

(€ million)

Third quarter		First nine months			
2008	2009	2008	2009	Change	% change
174	136	533	487	(46)	(8.6)
121	64	353	307	(46)	(13.0)
53	72	180	180		
88	58	204	142	(62)	(30.4)
29	31	73	74	1	1.4
59	27	131	68	(63)	(48.1)
262	194	737	629	(108)	(14.7)

Investments in the first nine months of 2009 amounted to €629 million, a decrease of €108 million compared with the first nine months of 2008.

In order to provide a like-for-like comparison between the different types of investment made in the first nine months of 2009 and 2008, the investments of the first nine months of 2009 have been classified in accordance with resolution no. 166/05 issued by the Electricity and Gas Authority. The Authority identified separate project categories which have different incentives. It should be noted, however, that investments made in the first nine months of 2009 will be remunerated applying the Authority's standards for the third regulatory period.

The key **development investments** related to:

- as part of the project for the new transportation infrastructure along the Adriatic side (€149 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 (€77 million): (i) construction of the Montalbano-Messina and Enna-Montalbano pipelines, in Sicily, and the Rende-Tarsia pipeline in Calabria; and (ii) completion work on the Mazara-Menfi and Tarsia-Morano pipelines in Sicily and Calabria respectively;
- as part of the project to improve the import infrastructure from the North East (€33 million): (i) upgrading the Malborghetto station in Friuli Venezia Giulia; and (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 (€62 million): (i) materials for constructing the Poggio Renatico-Cremona and Cremona-Sergnano pipelines in Emilia Romagna and Lombardy; (ii) spare parts and completion works on the Poggio Renatico station in Emilia Romagna; and (iii) design of the Zimella-Cervignano pipeline in Veneto and Lombardy;
- upgrading the pipeline network in South Piedmont (€16 million), including construction of the Cherasco-Cuneo and Oviglio-Ponti pipelines and completion work on the Mortara-Alessandria pipeline.

The **maintenance and other investments** covered a number of works aimed at ensuring adequate safety and quality levels at the plants, as well as replacing assets and plants, implementing new IT systems, developing existing ones and purchasing other key operating assets.



Third quarter of 2009

The volumes of **natural gas injected into the national transportation network** in the third quarter of 2009 amounted to 17.24 billion cubic metres, a reduction of 0.78 billion cubic metres, or 4.3%, compared with the same period of the previous year. This decrease was due to a reduction in natural gas demand, the effects of which were partly offset by larger volumes of gas being injected into storages (+0.7 billion cubic metres).



Liquefied Natural Gas (LNG) regasification

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
9	7	Core business revenue (*)	29	25	(4)	(13.8)
7	6	Operating costs (**)	21	20	(1)	(4.8)
1	1	EBIT	5	3	(2)	(40.0)
	1	Net profit	2	1	(1)	(50.0)
1	2	Investments	3	5	2	66.7
0.27	0.19	Volumes of regasified LNG (billions of cubic metres)	1.18	0.83	(0.35)	(29.7)
7	5	Tanker loads (number)	33	25	(8)	(24.2)

(*) Core business revenue includes the recharging to customers of the costs of transporting natural gas, acquired by Snam Rete Gas S.p.A, from the regasification plant to the entry point in the Panigaglia network. 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 elimination of intra-activity costs.

Results

First nine months of 2009

EBIT⁹ (€3 million) decreased by €2 million compared with the first nine months of 2008, mainly due to a reduction in other revenue (€1 million), relating to the sale of natural gas, and also smaller regasification revenues (€0.5 million) as a result of less operational activity at the plant.

Operating performance

First nine months of 2009

In the first nine months of 2009, the Panigaglia (SP) LNG terminal regasified 0.83 billion cubic metres of natural gas (compared with 1.18 billion cubic metres in the first nine months of 2008), unloading 25 tankers – of which three were on a spot basis - (compared with 33 loads in the same period of the previous year). Regasified LNG volumes declined by 0.35 billion cubic metres, or 29.7%.

Third quarter of 2009

In the third quarter of 2009, the Panigaglia (SP) LNG terminal regasified 0.19 billion cubic metres of natural gas (compared with 0.27 billion cubic metres in the third quarter of 2008), unloading 5 tankers – of which one was on a spot basis - (compared with seven loads in the same period of the previous year). Regasified LNG volumes declined by 0.08 billion cubic metres, or 29.6%.

⁹ EBIT is analysed by considering only those elements that have led to a change therein, as application of the gas sector tariff regulations generates cost and revenue items which offset each other.



Natural gas distribution

First nine months of 2009

Results

1 January – 30 September 2009¹⁰

(€ million)

Third Quarter	2009	1 January - 30 September		Change	% change
		2008	Of which Acqua Campania 2009		
199	Core business revenue	541	35	595	54 10.0
60	Operating costs	252	38	204	(48) (19.0)
110	EBIT	215	4	305	90 41.9
85	Group net profit	128		211	83 64.8
80	Investments	185		242	57 30.8
621	Volumes of natural gas carried (millions of cubic metres)	4,986		5,053	67 1.3
49,625	Distribution network	49,013		49,625	612 1.2
5,740,546	Active meters (number)	5,649,513		5,740,546	91,033 1.6
152	Customers - Retail companies (number)	124		152	28 22.6

In order to ensure a like-for-like comparison, the following comments do not consider Acqua Campania's figures as of 30 September 2008 as it was not consolidated (see footnote).

Core **business revenue** (€595 million) is analysed below.

(€ million)

Third Quarter	2009	1 January - 30 September		Change	% change
		2008	2009		
196	Distribution revenue (*)	485	578	93	19.2
3	Technical, engineering and IT support and other services	15	14	(1)	(6.7)
1	Water sales	3	3		
	Sales of other materials	3	1	(2)	(66.7)
(1)	Change in ongoing work on order		(1)	(1)	
199		506	595	89	17.6

(*) Distribution revenue for the first nine months of 2008 is shown net of payments borne by the users, which go to the Fondo Nazionale di Compensazione (€3 million). These payments are no longer required by resolution no. 159/08.

Distribution revenue for the first nine months of 2009 increased by €93 million compared with the same period in the previous year. This increase was due essentially to applying new tariff calculation methods for the third regulatory period (1 January 2009 – 31 December 2012) and to the different methods used to recognise revenue in the interim periods of the 2009 financial year¹¹.

¹⁰ The figures at 30 September 2009 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 the first nine months of 2009 are shown with a separate mention of those 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.

¹¹ 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 actual carried volumes in the period. 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.



EBIT for the first nine months of 2009 amounts to €305 million, an increase of €94 million, or 44.5%, compared with the corresponding period of 2008. The difference is due mainly to: (i) higher core business revenue (+€89 million), attributable particularly to the new tariff calculation methods for the third regulatory period and the different methods of recognising distribution revenue over the interim periods of the 2009 financial year (+€93 million); (ii) smaller operating costs (+€10 million), deriving mainly from a reduction in labour costs (+€10 million).

The **group's net profit** (€211 million) increased by €83 million, or 64.8%, compared with the same period in the previous year, due largely to the combined effect of the following: (i) the aforementioned increase in EBIT (+€94 million); (ii) lower net financial expense (+€8 million) on the back of reduced market interest rates; (iii) more income from equity investments (+€16 million); and (iv) higher income taxes (-€34 million) as a result of more pre-tax profit.

Operating performance

First nine months and third quarter of 2009

Gas distribution

During the first nine months of 2009, 5.053 billion cubic metres of gas were distributed, an increase of 67 million cubic metres, or 1.3%, on the same period in 2008, due mainly to the different weather conditions. At 30 September 2009, the group had concessions for gas distribution services in 1,441 municipalities (compared with 1,438 at 31 December 2008) with 5,740,546 active meters at gas delivery points to end users (households, businesses, etc.), compared with 5,676,105 at 31 December 2008.

During the third quarter of 2009, 621 million cubic metres of gas were distributed, an increase of 11 million cubic metres, or 1.8%, on the same period of 2008, due essentially to an increase in the number of end users served.

Investments

Investments, including grants, came to €242 million (€185 million in the corresponding period of 2008). They do not include the acquisition of the business units which distribute gas in the municipalities of Settimo Torinese and Brandizzo (€18 million) and in five municipalities in Sicily (€3 million). Investments at 30 September 2009 related to new constructions, improvements to existing networks and, specifically, the gas meter replacement project.

Any positive or negative differences between the VRT and the revenue arising from the amounts invoiced for the volumes carried by the distributors are settled using an equalisation mechanism with receivables and payables due from and to the Cassa Conguaglio del Settore Elettrico. Therefore, revenue is distributed over the year on a constant basis rather than being based on the seasonality of the carried volumes.



Distribution network

The group's gas distribution network at 30 September 2009 covered 49,625 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 351-km increase on 31 December 2008 is due to the balance of increases and decreases in the network. The increases are 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 from CO.M.E.S.T. S.r.l., including concessions for 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;
- 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 discontinuation of distribution services.

Customers

At 30 September 2009, the group transported the gas of 152 retail companies in its distribution networks, compared with 132 companies at 31 December 2008.



Storage of natural gas

First nine months of 2009

Results

1 January – 30 September 2009

(€ million)

Third quarter 2009	1 January - 30 September		Change	% change
	2008	2009		
68 Core business revenue (*)	227	251	24	10.6
14 Operating costs	46	40	(6)	(13.0)
38 EBIT	135	160	25	18.5
19 Net profit	66	88	22	33.3
67 Investments	148	200	52	35.1
3.00 Quantities of gas moved through the storage system (billions of cubic metres)	9.45	13.35	3.90	41.3
3.00 - of which injected	5.71	7.30	2	27.8
- of which withdrawn	3.74	6.05	2	61.8
8.9 Natural gas storage (billions of cubic metres) (**)	8.6	8.9	0.3	3.5
53 Customers (number)	49	53	4	8.2

(*) 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.

Core business revenue (€251 million) may be analysed as follows:

(€ million)

Third quarter 2009	1 January - 30 September		Change	% change
	2008	2009		
43 Modulation and mining storage	175	181	6	3.4
8 Use of funds for tariff recognition	5	19	14	
51 Total modulation revenue	180	200	20	11.1
17 Strategic storage	47	51	4	8.5
68 Total storage activity	227	251	24	10.6

Core business revenue (€251 million) increased by €24 million compared with the corresponding period of 2008, due mainly to the tariff adjustment implemented to cover new investments.

EBIT for the first nine months of 2009 amounted to €160 million, an increase of €25 million on the same period in 2008 due mainly to higher core business revenue (+€24 million) and lower operating costs (+€6 million; -13%), the effects of which were partly offset by higher amortisation and depreciation costs (-€5 million).

Net profit (€88 million) increased by €22 million compared with the same period in 2008, owing to higher EBIT (+€25 million) and smaller net financial expense (+€7 million), because of lower market interest rates, the effects of which were partly offset by higher income taxes (-€10 million) as a result of more pre-tax profit.



Operating performance

First nine months and third quarter of 2009

Quantities of natural gas moved through the storage system

Volumes of gas moved through the storage system in the first nine months of 2009 amounted to 13.35 billion cubic metres, an increase of 3.90 billion cubic metres, or 41.3%, compared with the same period in the previous year. This increase is due to:

- significant gas withdrawals relating to the Russian supply crisis in January 2009 and further withdrawals as a result of changing gas market prices;
- subsequent greater injections to restore the volumes withdrawn and gradually replenish the additional capacity made available for the thermal year 2009-2010.

Volumes of gas moved through the storage system in the third quarter of 2009 amounted to 3 billion cubic metres, an increase of 0.66 billion cubic metres, or 28.2%, compared with the same period in the previous year. This increase is due to more injections into storage.

Investments

Investments in the first nine months of 2009 amounted to €200 million, an increase of 35.1% compared with the corresponding period in the previous year. Investments are classified in accordance with resolution no. 50/06 of the Electricity and Gas Authority, which identified three project categories which have a different incentive to the basic remuneration level of 7.1%. The investments relate mainly to incentive-based investments (these represent around 90% of the investments made in the period), which amounted to €179 million – an increase of €41 million compared with the same period in 2008. Compared with the first nine months of 2008, incentive-based investments fell from 93% to 90% of total investments, but investments involving a 4% incentive over 16 years (category T3) rose from 43% in 2008 to 78% in 2009. This increase is due essentially to the ongoing development of new levels of the Treste river which, as scheduled, led to an initial increase in capacity of 150 million SCM, made available to the market for the 2009-2010 thermal year, compared with a total forecast volume of 1.1 billion SCM.

Customers

At 30 September 2009, the group provided natural gas storage and modulation services to 53 companies (compared with 48 at 31 December 2008), including 51 companies not belonging to the Eni group.

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



Core business revenue

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
434	448	Transportation	1,358	1,355	(3)	(0.2)
9	7	Regasification	29	25	(4)	(13.8)
	199	Distribution		199	199	
	68	Storage		68	68	
(4)	(9)	Consolidation eliminations	(14)	(17)	(3)	21.4
439	713		1,373	1,630	257	18.7

Core business revenue – Regulated and non-regulated activities

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
435	708	Regulated business revenue	1,364	1,618	254	18.6
431	444	Transportation	1,349	1,344	(5)	(0.4)
4	5	Regasification	15	15		
	196	Distribution		196	196	
	63	Storage		63	63	
4	5	Non-regulated business revenue	9	12	3	33.3
439	713		1,373	1,630	257	18.7

Operating costs

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
86	77	Transportation	281	298	17	6.0
7	6	Regasification	21	20	(1)	(4.8)
	60	Distribution		60	60	
	14	Storage		14	14	
(4)	(9)	Consolidation eliminations	(14)	(17)	(3)	21.4
89	148		288	375	87	30.2



Operating costs – Regulated and non-regulated activities

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
88	146	Regulated business costs	286	372	86	30.1
50	115	Controllable fixed costs	157	219	62	39.5
50	51	. of which transportation and regasification	157	155	(2)	(1.3)
26	20	Variable costs	91	92	1	1.1
12	11	Other costs	38	61	23	60.5
1	2	Non-regulated business costs	2	3	1	50.0
89	148		288	375	87	30.2

EBIT

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
230	250	Transportation	726	692	(34)	(4.7)
1	1	Regasification	5	3	(2)	(40.0)
	110	Distribution		110	110	
	38	Storage		38	38	
231	399		731	843	112	15.3

Amortisation, depreciation and impairment losses

(€ million)

Third quarter			First nine months		Change % change	
2008	2009		2008	2009		
120	174	Amortisation and depreciation	361	422	61	16.9
119	122	Transportation	358	368	10	2.8
1	1	Regasification	3	3		
	34	Distribution		34	34	
	17	Storage		17	17	
		Impairment				
120	174		361	422	61	16.9



Net financial expense

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
(72)	(47)	Financial expense related to net financial debt	(206)	(123)	83	(40.3)
(72)	(47)	- Charges on short- and long-term financial debt	(206)	(123)	83	(40.3)
8	(23)	(Expense) Income on derivative contracts	20	(44)	(64)	
(1)	(1)	- Fair-value adjustment	(1)	(3)	(2)	
8	(22)	- Difference in interest accrued in the period	21	(41)	(62)	
(1)	(7)	Other financial (expense) income	(2)	(9)	(7)	
(1)	(5)	- Other financial income	1	1		
(1)	(5)	- <i>Accretion discount</i>	(1)	(5)	(4)	
(2)	(2)	- Other financial expense	(2)	(5)	(3)	
7	7	Financial expense capitalised	20	15	(5)	(25.0)
(58)	(70)		(168)	(161)	7	(4.2)

Income from equity investments

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
	14	Natural gas distribution		14	14	
	11	Equity method valuation effect		11	11	
	3	Capital gains from sale of equity investments		3	3	
	14			14	11	

Income taxes

(€ million)

Third quarter			First nine months		Change	% change
2008	2009		2008	2009		
66	126	Current taxes	211	263	52	24.6
(10)	(16)	(Advanced) deferred taxes	(29)	(32)	(3)	10.3
3	(1)	Deferred taxes	8	(3)	(11)	
(7)	(17)	Advanced taxes	(21)	(35)	(14)	66.7
59	109		190	228	38	20.0



Reclassified consolidated balance sheet

(€ million)

	31.12.2008	30.09.2009	Change
Property, plant and equipment	10,549	15,620	5,071
Compulsory inventories		411	411
Intangible assets	39	741	702
Equity investments		293	293
Financial receivables held for operating activities		1	1
Net payables for investments	(286)	(290)	(4)
Fixed capital	10,302	16,776	6,474
Net working capital	(464)	(1,656)	(1,192)
Provisions for employee benefits	(29)	(109)	(80)
Assets held for sale and directly related liabilities		14	14
Net invested capital	9,809	15,025	5,216
Equity (including minority interests)	3,573	5,425	1,852
Net financial debt	6,236	9,600	3,364
Coverage	9,809	15,025	5,216

Fixed capital (€16,776 million) increased by €6,474 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 (+€5,773 million) are analysed below:

	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2008	10,549	39	10,588
Investments	761	20	781
Change in scope of consolidation	4,811	700	5,511
Amortisation, depreciation and impairment	(404)	(18)	(422)
Transfers, eliminations and divestments	(9)		(9)
Other changes	(88)		(88)
Balance at 30 September 2009	15,620	741	16,361

Investments in the first nine months amounted to €781 million, of which €80 million and €67 million respectively related to the natural gas distribution and storage business segments.

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.

Other changes (-€88 million) relate essentially to: (i) the change in pipes stock purchased for investment purposes and not yet used to construct plants (-€49 million); and (ii) the grants for the period (-€40 million).



Net working capital

(€ million)

	31.12.2008	30.09.2009	Change
Trade receivables	417	579	162
Inventories	128	528	400
Tax receivables (*)	6	6	
Other assets (*)	26	99	73
Deferred tax liabilities	(487)	(950)	(463)
Provisions for risks and charges	(52)	(622)	(570)
Accruals and payables for regulated business revenue	(190)	(253)	(63)
Trade payables	(161)	(384)	(223)
Tax payables	(48)	(200)	(152)
Fair value of derivative instruments	(39)	(95)	(56)
Other liabilities	(64)	(364)	(300)
	(464)	(1,656)	(1,192)

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

Net working capital (-€1,656 million) decreased by €1,192 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 (-€244 million). These changes are due mainly to: (i) an increase in other liabilities (-€199 million) owing essentially to the allocation of payables to shareholders (-€203 million) following the 2009 interim dividend resolved by the Board of Directors on 29 July 2009, equal to €0.06 per share to be paid from 22 October 2009 with an ex-dividend date of 19 October 2009; (ii) an increase in tax payables (-€109 million) relating essentially to more pre-tax profit arising from the consolidation of acquired companies, as well as to smaller tax advances; (iii) a reduction in the fair value of derivative financial instruments (-€56 million) connected with reduced market interest rates; and (iv) higher accruals and payables from regulated business revenue (-€37 million). These factors were partly offset by: (i) a reduction in trade payables (+€107 million); and (ii) a reduction in deferred tax liabilities (+€56 million).

Assets held for sale and directly related liabilities

This item relates to a real-estate complex owned by Italgas (€14 million, net of environmental provisions for charges relating to restoration work on the property)¹². In the third quarter of 2009, the equity investment held by Italgas S.p.A (17.77%) in natural gas retailer Toscana Energia Clienti S.p.A was sold to Eni S.p.A for €11 million.

¹² Note 21 "Guarantees, commitments and risks - Commitments deriving from the acquisition of Italgas and Stogit from Eni" of the interim financial report to 30 June 2009 provides information on the parties' commitments.



Statement of comprehensive income

(€ million)

	First nine months	
	2008	2009
Net profit for the period	373	468
Other components of comprehensive income		
Change in fair value of cash flow hedge derivatives (effective share)	6	(47)
Tax effect of the other components of comprehensive income	(1)	13
Total other components of comprehensive income net of tax effect	5	(34)
Total comprehensive income for the period	378	434
. attributable to:		
- Snam Rete Gas	378	434
- Minority shareholders		
	378	434

Equity

(€ million)

Equity at 31 December 2008		3,573
<i>Increases owing to:</i>		
- Share capital increase (*)	3,474	
- Comprehensive income for first nine months of 2009	434	
		3,908
<i>Decreases owing to:</i>		
- Difference between acquisition cost of equity investments and book equity of Italgas e Stogit	(1,584)	
- Distribution of balance of 2008 dividend	(247)	
- 2009 interim dividend	(203)	
- Additional expense for the share capital increase (**)	(22)	
		(2,056)
Equity including minority interests at 30 September 2009		5,425
attributable to:		
- Snam Rete Gas		5,424
- Minority shareholders		1
		5,425

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

(**) Net of the tax effect of €9 million.

At 30 September 2009, Snam Rete Gas had 195,379,150 treasury shares¹³ (compared with 195,429,850 at 31 December 2008), equal to 5.47% of the share capital. Their market value at 30 September 2009 was €651 million¹⁴.

¹³ Treasury stock transactions carried out in the first nine months of the year are shown in the chapter "Other information – Stock option plans".

¹⁴ Calculated by multiplying the number of treasury shares by the period-end official price of €3.33 per share.



	(€ million)		
	31.12.2008	30.09.2009	Change
Financial liabilities	6.237	9.625	3.388
Short-term financial liabilities	1.023	2.072	1.049
Current share of long-term financial liabilities	14	217	203
Long-term financial liabilities	5.200	7.336	2.136
Financial receivables and cash and cash equivalents	(1)	(25)	(24)
Financial receivables not held for operations	(1)	(1)	
Cash and cash equivalents		(24)	(24)
	6.236	9.600	3.364

Net financial debt and leverage

Net financial debt amounted to €9,600 million, an increase of €3,364 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 outlays, 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 (-€767 million); and (iii) settlement of the 2008 dividend of €0.14 per share, paid from 21 May 2009 (-€247 million). These factors were partly offset by: (i) net cash flows of equity related to the share capital increase (+€3,444 million, including the share premium and net of outlays to cover additional transaction costs); and (ii) cash inflows from operating activities (+€899 million).

Long-term financial liabilities of €7,336 million make up 76% of financial debt (83% at 31 December 2008). The average duration of the long-term loans is approximately four years (it was just over four years at 31 December 2008).

A breakdown of the liabilities by type of interest rate at 30 September 2009 is as follows:

	(€ million)				
	31.12.2008	%	30.09.2009	%	Change
.floating rate	2,524	40	4,457	46	1,933
.fixed rate	3,713	60	5,168	54	1,455
	6,237	100	9,625	100	3,388

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

Floating-rate financial liabilities (€4,457 million) increased by €1,933 million, due primarily to debts inherited from the consolidation of Italgas and Stogit at 30 September 2009 (€1,512 million) and taking out a new floating-rate loan of €300 million with ultimate parent Eni S.p.A, to be repaid in 2016 and used by Snam Rete Gas to partially finance the acquisition of Stogit and Italgas.

Fixed-rate financial liabilities (€5,168 million) increased by €1,455 million, due mainly to consolidating debts from the acquired companies at 30 September 2009 (€756 million) and to taking out a new floating-rate loan of €700 million with ultimate parent Eni S.p.A, to be repaid in 2016. This was converted into a fixed-rate loan by an interest rate swap.



snam rete gas

Fixed-rate financial liabilities at 30 September 2009 include floating-rate loans converted into fixed-rate loans by interest rate swaps for a total notional amount of €3,500 million.

The leverage ratio - the ratio of net financial debt to net invested capital - is 63.9% (63.6% at 31 December 2008).

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



Other information

2006-2008 stock option plan

On 29 July 2009, the Snam Rete Gas S.p.A Board of Directors updated the 2006-2008 stock option plan, which was approved by the ordinary shareholders' meeting of 26 April 2006 and submitted for implementation by the Board of Directors on 26 July 2006 (2006 allocation), 24 July 2007 (2007 allocation) and 29 July 2008 (2008 allocation).

This change, in accordance with the plan's implementation regulations, involved the technical adjustment of the strike price and the number of options allocated to members of the plan (distribution of which is subject to achieving pre-set performance objectives) as a result of the paid share capital increase approved by the extraordinary shareholders' meeting of 17 March 2009 and completed on 8 June 2009. Evidence of the changes made to the plan is shown below.

	Options remaining at 29 July 2009 (number)	New options allocated (number)	Total options (number)	Original strike price (€)	New strike price (€)
2006 allocation	1,535,975	336,075	1,872,050	3.542	2.905
2007 allocation	2,083,600	456,300	2,539,900	4.322	3.545
2008 allocation	2,235,000	491,000	2,726,000	4.222	3.463
	5,854,575	1,283,375	7,137,950		

No new stock option plans were issued in 2009. Changes to the stock option plans at 30 September 2009 are as follows:

	Number of options
Existing options at 1 January	7,722,400
New options allocated (*)	1,283,375
Options exercised in the period	(81,200)
Options forfeited in the period (**)	(920,950)
Existing options at the end of the period of which exercisable	8,003,625
	2,927,350

(*) Relating to new options allocated following changes made to the 2006-2008 stock option plan on 29 July 2009.

(**) Includes forfeited options due to termination of employment and, beginning from the 2006-2008 plan, the options forfeited as a result of the TSR positioning at the end of the vesting period.



Electricity and Gas Authority

New regulatory period for natural gas transportation and dispatching activities

On 23 July 2009, the Electricity and Gas Authority published its second consultation document (DCO 24/09) regarding setting the criteria for determining natural gas transportation and dispatching revenues and tariffs for the third regulatory period. On 15 September 2009, Snam Rete Gas sent the Authority its observations on the document and suggested additions to it. On 28 September 2009, with resolution ARG/gas 135/09, the validity of gas transportation and dispatch tariffs approved for the thermal year 1 October 2008 – 30 September 2009 was extended to the period 1 October 2009 - 31 December 2009.

Investigation into alleged violation of the regulation on availability of natural gas higher heating value measurements

On 2 September 2009, the Electricity and Gas Authority began a formal investigation of Snam Rete Gas concerning a possible violation of article 11, paragraphs 2 and 4, of resolution no. 185/05 relating to the regulation on availability of natural gas higher heating value measurements. The Authority will levy the relevant administrative financial penalty. The Authority has stipulated that the investigation will last for 180 days. The final verdict will be delivered within 60 days from the end of the investigation.

Litigation

There have been no significant developments in relation to the legal proceedings described in the "Litigation" section of the interim financial report to 30 June 2009.

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 consolidated income statement

(€ million)

Third quarter		First nine months		%	
2008	2009	2008	2009	Change	change
439	713	1,373	1,630	257	18.7
1	8	7	10	3	42.9
440	721	1,380	1,640	260	18.8
(89)	(148)	(288)	(375)	(87)	30.2
351	573	1,092	1,265	173	15.8
(120)	(174)	(361)	(422)	(61)	16.9
231	399	731	843	112	15.3
(58)	(70)	(168)	(161)	7	(4.2)
	14		14	14	
173	343	563	696	133	23.6
(59)	(109)	(190)	(228)	(38)	20.0
114	234	373	468	95	25.5

(*) 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 balance sheet format is used by Management to calculate the key leverage and profitability ratios.



RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ million)			
30.06.2009	31.12.2008	30.09.2009	Change
15,508 Property, plant and equipment	10,549	15,620	5,071
411 Compulsory inventories		411	411
738 Intangible assets	39	741	702
282 Equity investments		293	293
1 Financial receivables held for operations		1	1
(267) Net payables for investments	(286)	(290)	(4)
16,673 Fixed capital	10,302	16,776	6,474
(1,521) Net working capital	(464)	(1,656)	(1,192)
(108) Provisions for employee benefits	(29)	(109)	(80)
Assets held for sale and directly related			
25 liabilities		14	14
15,069 Net invested capital	9,809	15,025	5,216
5,402 Equity (including minority interests)	3,573	5,425	1,852
9,667 Net financial debt	6,236	9,600	3,364
15,069 Coverage	9,809	15,025	5,216

Reclassified consolidated cash flow statement and changes in net financial debt

The reclassified cash flow statement 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 CONSOLIDATED CASH FLOW STATEMENT

(€ million)		
	First nine months	
	2008	2009
Net profit for the period	373	468
<i>Adjusted by:</i>		
- Amortisation, depreciation and other non-monetary components	363	436
- Interest, income taxes and other changes	358	382
Cash flow from operating activities before changes in working capital	1,094	1,286
Change in working capital due to operating activities	180	(126)
Interest and income taxes received (paid)	(354)	(261)
Net cash flow from operating activities	920	899
Investments in property, plant and equipment and intangible assets	(773)	(695)
Change in consolidation scope		(4,474)
Divestments	2	17
Net payables for investments	12	(89)
Free cash flow	161	(4,342)
Change in financial liabilities	68	1,169
Equity cash flow	(229)	3,197
Net cash flow for the period	0	24



CHANGE IN NET FINANCIAL DEBT

(€ million)

	First nine months	
	2008	2009
<i>Free cash flow (*)</i>	161	(4,342)
Financial payables and receivables from acquired companies		(2,219)
Equity cash flow	(229)	3,197
Change in net financial debt	(68)	(3,364)

(*) Including the effects related to the acquired companies.