



Joint press release

Galsi S.p.A. and Snam Rete Gas S.p.A. sign memorandum of understanding for construction of new pipeline from Algeria to Italy, via Sardinia

Important step forward for the development of the project promoted by Sonatrach, Edison, Enel, Wintershall, Hera Trading and Sfers

Rome, 7 November 2007 – Galsi and Snam Rete Gas signed a memorandum of understanding today in the presence of the Algerian Minister for Energy, Mr. Chakib Khelil, and the Italian Minister for Economic Development, Mr. Pierluigi Bersani, for the construction of the Italian section of the new import pipeline from Algeria to Italy via Sardinia.

The project involves an international offshore section of the pipeline which will run from the Algerian coast to Southern Sardinia (near Cagliari) where it will link up with the Italian section. This will include an inland section across Sardinia to Olbia and another offshore section to Tuscany (near Piombino) where the new pipeline will interconnect with the national transportation network.

Overall, the pipeline will be roughly 900 kilometres long, approximately 600 kilometres of which will be offshore. It will be laid at a maximum depth of approximately 2,800 metres between Algeria and Sardinia. Its initial transportation capacity will be 8 billion cubic metres per year and it is planned to come onstream in 2012. Agreements signed with Sonatrach on November 15th, attended by Abdelaziz Bouteflika, the President of Algeria, and Romano Prodi, Italian Premier, Edison (the key Italian player in the project) and Enel have already assured the supply of 2 billion cubic metres of gas a year each once the pipeline is operational. Hera Trading has negotiated supply of a further one billion cubic metres. The other three billion cubic metres will be sold by Sonatrach, including through sales to other operators.

The memorandum of understanding signed today relates to the Italian section of the pipeline: Galsi, owned by Sonatrach (38%), Edison (16%), Enel (13.5%), Wintershall (9%), Hera (10%), and Regione Sardegna (10%), will be responsible for the engineering work and for obtaining the relevant permits and main authorisations while Snam Rete Gas will be in charge of the construction and subsequent management of the transportation activities.

This project demonstrates the two companies' commitment to investing large amounts to develop one of the most important natural gas supply projects in Italy. It is both a new technological challenge and will also mark the first step towards providing natural gas to Sardinia, which does not yet have a natural gas transportation network.

The memorandum is also strategically important to the opening up of the Italian and European gas markets, as it will allow the import and sale of natural gas along a new pipeline and enable new operators to enter the Italian market.

“The Galsi pipeline is of strategic interest to Italy and with a capacity of 8 billion cubic metres per year, will significantly increase the availability of gas for the country while at the same time ensuring the greater continuity of supplies”, said Roberto Potì, chairman of Galsi and Executive Vice President Corporate Business Development of Edison. “The agreement signed today represents a fundamental step forward for the project’s execution, which will also benefit from the definition of the relevant regulatory framework by Algeria and Italy in the next few weeks”.

Mohamed Yousfi, CEO of Galsi said, “The agreement reached today by Snam Rete Gas and Galsi is proof of their tangible commitment to the construction of a new direct line between Algeria and Italy. It will strengthen the more than 30 year relationship between Sonatrach and the Italian companies, which shows their firm intention to meet the rising demand for natural gas in Europe”.

Snam Rete Gas CEO Carlo Malacarne said, “Snam Rete Gas’ involvement in this project demonstrates its proactive commitment to encouraging all new import projects as soon as the requisites for their effective implementation are in place”.

Galsi is carrying out the detailed engineering part of the project and, specifically, the survey of the sea floor of the two offshore sections in order to confirm their route.

Set up in 2003 as a research company, Galsi is currently involved in the development, construction and management of the new pipeline which will link Algeria to Sardinia and Tuscany over a more than 900 km route, of which approximately 600 km is offshore. The pipeline’s initial capacity will be 8 billion cubic metres per year, part of which will be allocated to Sardinia to give it a natural gas network. Its partners in the project are the Algerian Sonatrach (which currently owns 36% of the company), and the Italian Edison (18%). Galsi’s other shareholders include major Italian and international companies such as Enel (13.5%), Wintershall (13.5%), Hera Trading (9%) and Regione Sardegna through its subsidiary Sfirs (10%).

Snam Rete Gas is the market leader of the Italian natural gas transportation and dispatching sector. It has been designing, constructing and monitoring a pipeline network of more than 30,000 kilometres, with ten compression stations, for sixty years. It has been listed on the stock exchange since 2001 and roughly 60 shippers rely on it thanks to its transparent stance.

Snam Rete Gas will invest more than €4 billion before 2010 to increase transportation capacity and to meet the growing demand for energy. This is a far-reaching project that will require the use of technologies created specifically to ensure safety, protection of the environment and sustainable development.

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This press release is also posted on the websites www.snamretegas.it. and www.edison.it

Mandatory communication to the market as per Consob resolution no. 11971 of 14 May 1999 and subsequent amendments