

This is a translation of the article;

'L'Eni senza Snam vale di più Tesoro, un bonus da 30 miliardi' published in 'Corriere Della Sera'

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Energy and networks The activist fund and meetings with Scaroni. S&P has lowered the group's rating

“ENI without Snam is worth more to the Treasury, a bonus of 30 billion” Knight: the Government might sell its 30% and maintain control

MILAN – Eni can be controlled with less, much less than 30% of the capital. And if so, its principal shareholder – the state, through the treasury and the CDP – could recover a large share of value that has been tied up so far. How much? If the “right” assessment was made, it might reach as much as thirty billion euro. “It would be a kind of manna from heaven for the Italian public finances, the Treasury and [Minister for the Economy] Tremonti would only need to bend down to pick it up,” says Eric Knight. The CEO of the Knight Vinke fund, which owns 1% of the ‘six-legged dog’, refuses to give up the project of ‘restructuring’ Eni and, if one pays attention to him, the ‘pressing’ which started in September 2009 would begin to bear fruit.

After the last two face-to-face meetings with Paolo Scaroni and a top Eni executive – which took place in Milan and New York in April and May – the idea that the group is undervalued does not seem to be taboo any more on the upper floors of Metanopoli buildings. Apparently, the persuasive work by the U.S. fund in recent months has convinced major investors that the Eni share price has a potential value between 27 and 31 euro, compared with 16–17 quoted on the Stock Exchange.

But when and how can one achieve such levels? Knight is confident that at least a couple of things will happen between now and the end of the year. The first is the opening of debate on the future of Snam Rete Gas, in the light of the provisions of the third EU directive. The second – that Scaroni's group will dispose of one of its major holdings, in the Portuguese Galp Energia, of which it owns 33.3% (the ‘lock in’ expires at the end of 2010). For Knight, the more important event – the demerger of Snam – is a direct consequence of the requirements of the European directive. And, just to corroborate this intuition, the fund has requested two “legal opinions”, both sent for information to the headquarters of the oil group. The Snam spin-off would bring Eni several advantages, continues the fund: it could “liberate” its consolidated balance sheet from the 10 billion euro of net debt, and the 52% share would be valued at twice the current multiple. These two effects, however, would be fully recognized by the markets only if the demerger was the prelude to a real sale, possibly to the ‘European Networks Agency’ that has been under discussion for some time.

In such a case, the net debt of Eni, more than 22 billion euro at the end of 2009 (which caused yesterday's cut in S&P ratings from A+ to A-1), would be almost zero: the sale of Snam would release 17–19 billion euro while the rest would come from Galp. But there's more: with regard to the latest “Combined Economy and Public Finance Report”, Vinke has hinted at “an opportunity for Italy that nobody talks about, which stems from the fact that the country has large capital tied up in companies such as Eni or Enel, without this being necessary.” He explains that “there are authorization mechanisms or some form of golden share which obviate the need to hold 30 billion euro in Eni – the value of the Treasury share and cash deposits once Snam is divested.” Releasing the Eni share holding would enable the Treasury to obtain funds “which would be a viable alternative to the looming public finance austerity measures.” How do you think the Treasury can accept such a prospect? “The Treasury is aware of this situation, and knows also that, for example, Total in France is under [state] control without the state holding any shares.” But you've never spoken with Tremonti? “No, but soon after the summer we want to organize another public debate on Italy's interests in these matters, like the one last October in Milan. This time, however, we will hold it in Rome”

Stefano Agnoli