

Message from the Chief Executive Officer



Marco Alverà
Chief Executive Officer

Dear Stakeholders,

Snam is currently the largest gas infrastructure operator in Europe, with a unique experience and know-how in this sector. This past year, we celebrated our company's 75th birthday; its innovative and pioneering spirit first led it to deliver methane throughout Italy as a whole, and then to become the crossroad of great international gas routes, representing today a pillar of the European energy market.

The Snam of the future wants to capitalise the expertise and experience accumulated over these past 75 years, by acting as a key player in the shift towards a low-carbon world – where natural gas will be confirmed as a safe, sustainable and flexible energy source and look to the future again, as one of the supporting pillars of national and European energy systems. We are committed to ensuring a long-term future for gas, leveraging research, development and innovation, and encouraging alternative uses of gas that contribute to the decarbonisation process.

During the fiscal year 2017, the consumption of natural gas has grown (+6 compared to 2016) and Snam achieved very positive economic results, in line with expectations, with a net adjusted profit of around €940 million (+11.2% compared to 2016) and a cash flow of €1,864 million, enough to fully finance net investments (€1,441 million) and generate a free cash flow of €424 million.

To ensure a long-term future for natural gas, Snam is continuing on its path of cultural, technological and organisational change, to become smarter and more innovative. Above all, it will continue to invest, to improve competitiveness and the security of supply and to develop alternative uses for gas in the transportation of people and goods. This is the mission of Snam 4 Mobility, a new sustainable transportation company launched in 2017. In May, the first framework agreement for the development of methane filling stations in Italy was signed with ENI,

with the goal to build new plants on the roads and highway network which will be added to the approximately 1,200 already existing stations in order to balance the territorial distribution among the different regions of the country. This past June, the first plant running on biomethane (a renewable and natural resource, which represent a great opportunity and an essential tool to decarbonise the agricultural industry) was connected to the network. Last but not least, with the acquisition of TEP, one of the leading Italian ESCos, Snam will help its customers use energy in a more rational way, taking a leadership position to promote a more sustainable energy system.

Together with the development of more strategic projects, this year Snam focused on the continuity of its responsible commitment, which has always set it apart in matters of safety and environmental protection, thanks to its operational model based on the adoption of standards of excellence. During the year, the operations carried out allowed Snam to avoid emitting more than 82,500 tonnes of CO₂eq and, the first positive result regarding its goal of reducing natural gas emissions by 10% by 2021 compared to 2016 was achieved with a reduction of 3.2%.

The company commitment to fight climate change was acknowledged by Snam's inclusion in the Carbon Disclosure Project exclusive "A list", an important index guiding investors towards companies with greater awareness on climate change issues and in which Snam has been included since 2012. In September 2017, Snam shares were also validated by RobecoSAM in the Dow Jones Sustainability World Index, the leading stock-index that rates the Corporate Social Responsibility, for the ninth consecutive year: a goal reached also thanks to the application of the Global Compact principles, which have always been an inspiration for us and which we will continue to support with determination.

The first part of this new edition of the Sustainability Report dedicates the first part to the history of Snam which, inspired by the UN's Sustainable Development Goals, aims to be a key player on the social front, starting from its renewed ability to interpret community needs and finding the most effective solutions, together with institutional and local stakeholders. This is why the Snam Foundation was created, and has already begun work to promote and develop capacities, facilitate social cohesion, grow and build networks and support youth entrepreneurship. Youth is the focus of one of the most challenging SDGs: allowing everyone to receive quality education, develop skills and decide their own future. Young Energy is a three-year training project promoted by Snam through which students can acquire more effective skills for their entry in the labour market. In this way Snam supports employment prospects in the most difficult areas of Southern Italy. Snam plans to engage its own people through these projects. Snam's staff are crucial to the dialogue with communities and the areas where the Company operates. The company aims to promote skills to affirm a new corporate citizenship inside and outside the company with the activities of the Snam Institute, a training centre of excellence, now in its second year.

The ambition to become the leading gas company at a global level is bolstered by becoming more global, more innovative in creating and managing new businesses, more efficient, stronger in our areas of competence, closer to people and to the areas in which it operates, increasingly greener and renewable. We strive to achieve these goals every day, spreading the widely-felt spirit of entrepreneurship which will enable us to take advantage of opportunities and transform them into results for our shareholders and into significant positive impacts for society as a whole.