

Directors' Report on the proposals  
relating to the matters on the agenda of the Shareholders' Meeting

**SNAM RETE GAS S.p.A.**

**ORDINARY AND EXTRAORDINARY MEETING OF 5 AND 6  
DECEMBER 2011 ON FIRST AND SECOND CALL**

**Directors' Report on proposals relating to the items on the agenda of the  
Shareholders' Meeting**

**ORDINARY PART**

**Item 1**

**Authorisation, pursuant to Article 12.2 of the Bylaws of Snam Rete Gas  
S.p.A., of the transfer the gas transportation, dispatching, remote control  
and metering business to the subsidiary company Snam Trasporto S.p.A.**

Dear Shareholders,

in compliance with Legislative Decree No. 93 dated 1 June, 2011, within 3  
March, 2012, the major transportation company (Snam Rete Gas) shall  
comply with the rules governing an "Independent Transmission Operator"  
(ITO, hereinafter "Operator").

Snam Rete Gas, through the institution of the "Independent Transmission  
Operator", provided by the Decree, will ensure the independence, within  
vertically integrated corporations (such as eni), between the interests of  
network managers on one hand and the interests of suppliers and producers on  
the other.

According to the rules governing the ITO model, in order to evidence the  
separation of the Operator from the vertically integrated corporation (such as

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eni), the Operator's compliance with the requirements of the Decree must be certified by the Regulatory Authority for Electricity and Gas.

On 26 October, 2011, the Board of Directors of Snam Rete Gas approved the plans for adapting to the Independent Transmission Operator model, involving the transfer of the natural gas transportation business to a wholly-owned subsidiary Snam Trasporto S.p.A., which will operate as Operator of the transportation system, with effect from 1 January, 2012.

The business of Snam Rete Gas, which is being transferred, engages in the transportation of natural gas in Italy, and comprises the gas pipeline network in Italy (including compressor stations), the dispatching, remote control and metering facilities, the related human resources, and all the resources necessary to ensure its independent operation.

Any movable and immovable property, tangible and intangible assets, assets and liabilities, receivables and payables, rights, assets and liabilities relating to the conduct of the gas transportation business in Italy presently owned by Snam Rete Gas are included in the business to be transferred.

As of 31 December, 2010 the main data about the size of the business in question are the following:

- Approximately 31,680 km of operational national and regional transportation network;
- 11 gas compression plants;
- 15 gas tax metering plants;

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- 2,040 persons, of which 1,780 are dedicated to line activities and 260 to services to staff support activities;
- Approximately €1,900 million in revenues;
- Approximately €3.7 billion in Capital Investments recognised for tariff purposes (RAB).

The Balance Sheet of the Transportation Business at 30 September 2011, is summarised below:

(€thousands)

	<b><u>30.09.2011</u></b>
Tangible assets	11,569,860
Intangible assets	51,925
Net liabilities related to investment activity	(249,627)
<b>Fixed capital</b>	<b>11,372,158</b>
Net working capital	(537,457)
Provisions for employee benefits	(23,002)
<b>NET INVESTED CAPITAL</b>	<b>10,811,698</b>
<b>NET BOOK VALUE</b>	<b>2,848,749</b>
<b>Net financial debt</b>	<b>7,962,950</b>
<b>TOTAL COVERAGE</b>	<b>10,811,698</b>

The balance sheet shows a Net Value of the business of about €2,849 million.

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Snam has appointed an independent expert with appropriate and proven expertise in order to prepare the valuation report of the Transportation Business, pursuant to Article 2343-*ter*, paragraph 2(b) of Italian Civil Code.

On 26 October, 2011, the expert, also referring to the Financial Statements at 30 September 2011 above, delivered said report, which contains a description of the assets and liabilities to be transferred, the evaluation criteria used, the main factors to be considered when using them and describes the results and the estimated economic value of the business being transferred.

The expert valued Snam's transportation business at €14,258 million, from which the Net Financial Position of €7,963 million and Deferred Tax Liabilities of €443 million, as reported in the balance sheet at 30 September 2011, must be deducted, resulting in a rounded off net value of the transportation business on that date of €5,850 million, which is higher than the net book value of €2,849 million.

The control methods used by the independent expert (the net asset value method and the market multiples method) have confirmed the value determined with the primary method.

Given the nature of the transaction, which is a corporate restructuring within a group, the transfer will be executed by continuing with book values (in line with international accounting standards) and taxable values.

Therefore, based on the balance sheet value of the business at 30 September, 2011, which shows a value of shareholders' equity amounting to €2,849 million, the Board of Directors intends to proceed with the transfer, with

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effect from 1 January, 2012, h. 0:01, by carrying out a capital increase of the same amount, which is €5,850 million lower than the independent expert's valuation results.

Changes which may occur between the reference date of the balance sheet and the effective date of the transfer will be settled by a payment in cash.

The resolution does not create a right of withdrawal.

Dear Shareholders,

you are invited to:

- authorise, pursuant to Article 12.2 of the Bylaws of Snam Rete Gas S.p.A., the transfer of the gas transportation, dispatching, remote control and metering business to the subsidiary company Snam Trasporto S.p.A. according to the terms and conditions set out in this Report;
- delegate and authorise the Board of Directors and, through it, the Chief Executive Officer of Snam Rete Gas S.p.A. to implement the resolution, and, therefore, to sign (including by proxy and, when necessary, with express authorisation under Article 1395 of the Italian Civil Code) the deed of transfer, determining all the conditions, terms and procedures necessary and appropriate for executing the transaction, with the power of describing exactly what is being transferred, making sure that they fulfil any requirement of whatever Office, Registry and Public and/or Private Administration.

## **EXTRAORDINARY PART**

### **Item 1**

#### **Amendment to Article 1.1 of the Bylaws of Snam Rete Gas S.p.A.**

Dear Shareholders,

As shown in reference to item 1 on the ordinary part of the agenda, the Board of Directors, in order to comply with the requirements of the Decree, has resolved to submit, for the approval of today's Ordinary Shareholders' Meeting, the authorisation, pursuant to Article 12.2 of the Bylaws, to transfer the transportation business to Snam Trasporto S.p.A., wholly-controlled by Snam, which would operate as an Independent Transmission Operator with effect from 1 January 2012.

In view of the foregoing and subject to approval of the proposal above-mentioned by the Shareholders' Meeting of Snam Rete Gas, the Board of Directors of Snam Trasporto S.p.A. intends to propose to the Shareholders' Meeting of that company that it changes its name to Snam Rete Gas S.p.A. (abbreviated to 'Snam RG S.p.A.'). The proposal is motivated by important commercial reasons, taking account of its well-known brand identity, both specifically within its business sector and in the market in general, as the leading national gas transportation operator, attributes which Snam Trasporto will take over after the transfer takes effect.

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Subject to the approval of this change by the Shareholders' Meeting of Snam Trasporto, your Company will therefore, in turn, have to change its own company name.

This being said and considering that your Company will continue to conduct the same business of gas transportation, albeit indirectly through a wholly-owned subsidiary corporate vehicle, and, in order to ensure uninterrupted continuity with the past, considering also that this relates to an important company listed on the FTSE MIB, the Board of Directors proposes to change the company name from 'Snam Rete Gas S.p.A.' to 'Snam S.p.A.', which corresponds to the current name in abbreviated form (and, instead, is different from the abbreviated company name which will be taken by Snam Trasporto S.p.A., which, as stated above, will be 'Snam RG S.p.A. ').

The change described above does not create a right of withdrawal and will be effective from the effective date of the change of name of Snam Trasporto.

Dear Shareholders,

You are invited to:

- approve, with effect from the effective date of the change of company name of Snam Trasporto, the change to Article 1.1 of the Bylaws of Snam Rete Gas S.p.A. in the text below, reported together with that in force.

**BYLAWS**  
**SNAM RETE GAS S.p.A**

<b>Current text</b>	<b>Changed text</b>
<b>BY-LAWS OF SNAM RETE GAS</b>	
<b><u>Heading I - ESTABLISHMENT AND PURPOSE OF THE COMPANY</u></b>	
Article 1 1.1 The Company ' <b>Snam Rete Gas S.p.A.</b> ', or, in abbreviated form, ' <b>Snam S.p.A.</b> ', is governed by the	Article 1 1.1 The Company ' <b>Snam S.p.A.</b> ' is governed by the present Bylaws. The company name may be written

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present Bylaws. The company name may be written in any character, with uppercase or lowercase letters.	in any character, with uppercase or lowercase letters.
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- grant the broadest powers to the Chief Executive Officer so that, even by means of proxy, he may give effect to this resolution and, where appropriate or necessary, he may make formal additions, changes and deletions which may be requested by the competent Authority for registration in the Register of Companies.

The Chairman of the Board of Directors

Mr. Salvatore Sardo