

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

SNAM S.p.A.

**EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING OF
26 AND 27 APRIL 2012 ON FIRST AND SECOND CALL RESPECTIVELY**

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

ORDINARY PART

Item 1

Financial statements of Snam S.p.A. as at 31 December 2011.

**Consolidated financial statements as at 31 December 2011. Reports of
the Directors, the Board of Statutory Auditors and the Independent
Auditors. Related resolutions.**

Dear Shareholders,

The 2011 financial statements of Snam S.p.A. closed with a profit of € 692,728,698.14 and the consolidated financial statements closed with a net profit of € 790 million (€ 978 million on an adjusted basis) as shown in the document “*2011 Annual Report*”, filed at the registered offices of the Company, Borsa Italiana S.p.A. and on the Company website. Therefore, this report refers to that document.

Dear Shareholders,

You are invited to approve the financial statements of Snam S.p.A. as at 31 December 2011, which show a profit of € 692.7 million.

Item 2

Allocation of the period profits and dividend distribution

Dear Shareholders,

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The Board of Directors proposes to:

- allocate the profit of € 354,865,203.84 which remains after the distribution of the 2011 interim dividend of € 0.10 per share resolved by the Board of Directors on 27 July 2011, as follows:
 - € 34,636,434.91 to the legal reserve, pursuant to Article 2430 of the Italian Civil Code, bringing this reserve to one fifth of the share capital;
 - € 0.14 per share to the shareholders as a dividend for shares outstanding on the ex-dividend date, excluding treasury shares on that date, as the balance on the 2011 interim dividend of € 0.10, using the remaining available profit of € 320,228,768.93 and retained earnings up to the overall amount of the dividend; the 2011 dividend per share amounts therefore to € 0.24;
- pay out the dividend balance of € 0.14 per share starting on 24 May 2012, being the ex-dividend date 21 May 2012;
- reclassify the “*Share premium reserve*” under “*Legal reserve*” to bring the latter up to the minimum limit required by Article 2430 of the Italian Civil Code.

Dear Shareholders,

You are invited to

- allocate the profit of € 354,865,203.84 which remains after the distribution of the 2011 interim dividend of € 0.10 per share resolved by the Board of Directors on 27 July 2011, as follows:
 - € 34,636,434.91 to the legal reserve, pursuant to Article 2430 of the Italian Civil Code, bringing this reserve to one fifth of the share capital;

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- € 0.14 per share to the shareholders as a dividend for shares outstanding on the ex-dividend date, excluding treasury shares on that date, as the balance on the 2011 interim dividend of € 0.10, using the remaining available profit of € 320,228,768.93 and retained earnings up to the overall amount of the dividend; the 2011 dividend per share amounts therefore to € 0.24;
- pay out the dividend balance of € 0.14 per share starting on 24 May 2012, being the ex-dividend date 21 May 2012;
- reclassify the “*Share premium reserve*” under “*Legal reserve*” to bring the latter up to the minimum limit required by Article 2430 of the Italian Civil Code.

Item 3

**Compensation Policy pursuant to Article 123-ter of Legislative Decree No. 58
of 24 February 1998**

Dear Shareholders,

The Report on Compensation was issued on the basis of Article 123-ter of the Legislative Decree No. 58 of 24 February 1998 (“TUF”) and Article 84-*quarter* of the Regulation implementing the TUF (adopted by Consob under Resolution No. 11971 of 14 May 1999 and subsequent amendments), introduced by the Consob resolution No. 18049 of 23 December 2011.

According to paragraph six of Article 123-ter of the TUF, the Shareholders’ meeting is asked to resolve on the section of the Report on Compensation concerning the company’s policy on compensation for members of administrative bodies, general managers and executives with strategic responsibilities, and

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concerning the procedures used for the adoption and implementation of that policy.

The resolution is not binding.

The document "*Report on Compensation*" is filed at the registered offices of the Company, Borsa Italiana S.p.A. and on the Company website. Therefore, this report refers to that document.

Dear Shareholders,

You are asked to approve on an advisory basis the section of the Report on Compensation referred to in the third paragraph of Article 123-*ter* of the TUF.

The Chairman of the Board of Directors

Mr. Salvatore Sardo