

Report of the Board of Directors on the proposals
concerning the items on the agenda of the Shareholders' meeting

SNAM S.p.A.

ORDINARY SHAREHOLDERS' MEETING OF 11 APRIL 2017

SINGLE CALL

**Report by the Board of Directors on the proposals concerning the items on the
agenda of the Shareholders' Meeting**

Item 3

Proposal to purchase and dispose of treasury shares

Dear Shareholders,

we hereby submit for your approval the authorisation for the Board of Directors to purchase and dispose of treasury shares under article 2357 and following Italian Civil Code, art. 132 Legislative Decree 24 February 1998, no. 58, as amended (the “**C.L.F.**”) and art. 144-*bis* of the CONSOB Regulations approved by resolution no. 11971 of 14 May 1999, as amended (the “**Issuer Regulation**”) and, in this Report which was prepared according to the provisions of article 73 and Annex 3A, scheme no. 4 of the Issuer Regulation (the “**Report**”), we describe the formalities and the terms of the proposed transaction.

Introduction

Firstly it is appropriate to recall that the Ordinary Shareholders' Meeting, on 1 August 2016, authorised in accordance with Articles 2357 and 2357-ter of the Italian Civil Code and 132 of the C.L.F. deeds of purchase of treasury shares, for an outlay of up to 500 million euros and up to the maximum limit of 3.5% of the subscribed and freed up share capital, taking into consideration the treasury shares already held by the Company, (upon completion of the partial and proportional demerger of the Company), to be carried out in one or more tranches, within 18 months of the effective date of said demerger i.e. from 7 November 2016 (hereafter, the “**Authorisation**”).

The purpose of the purchase of treasury shares was to ensure the Company had an instrument available to it granting strategic and financial flexibility aimed at increasing the value for the Shareholder, also by improving the Company's financial structure.

On the basis of the Authorisation, the Company, up until the date this Report was approved by the Board of Directors (6 March 2017), acquired 64,446,725 treasury shares, amounting to 1.84% of the share capital, for a total countervalue of 234,373,803.05 euros.

1. Reasons for which the authorisation for the purchase and disposal of treasury shares is requested

The Board of Directors still maintains its view regarding the reasons which led it to request the Authorisation by the Shareholders' Meeting, and namely:

- (i)* to promote liquid funds and actively manage volatility of the stock market performance of the Company's shares, and, in particular, intervene on the performance of the securities in connection with contingent market situations, facilitating trades on the security at times of little market liquidity and facilitating the regular performance of contracts and, in any case, within the limits envisaged by current legislative and regulatory provisions as well as, where applicable, in compliance with market practice permitted in accordance with Art. 180, paragraph 1, letter c) of the CLF in connection with the activities implemented to support market liquidity;
- (ii)* under the scope of actions connected with future industrial and financial projects in line with the strategic guidelines the Company intends to pursue, including by means of the exchange, loan, conferral, sale or other disposal of treasury shares for the acquisition of equity investments or share packages, for industrial projects or other operations of extraordinary finance that involve the assignment or arrangement of treasury shares (such as, merely by way of example, mergers, demergers, emissions of convertible bonds to shares);
- (iii)* and for the purpose of implementing any stock option plans of the Company.

In consideration of the above purposes (which led the Company to implement a share buy back plan which can be developed over the long term), as well as *(i)* in light of the need for a given number of treasury shares to be employed for the 2017-2019 Long Term Share Incentive Plan, submitted to the Shareholders' Meeting for approval today and *(ii)* the possible cancellation of treasury shares, notwithstanding the necessary corporate obligations, it is appropriate, in order to give the governing body, represented by the Chief Executive Officer, greater flexibility, to propose to the Ordinary Shareholders' Meeting, subject to prior

revocation of the previous authorising resolution, the granting of a new authorisation.

The core content of the requested new authorisation remains basically unchanged, as regards the purchase, if compared to those which were already included in the Authorisation, integrating the resolution as regards to the authorisation to dispose of both the treasury shares already included in the portfolio and those which may be bought under buy back plan proposed to the Shareholders' Meeting.

As regards namely the procedure for disposing of the purchased shares, the Board of Directors proposes that the Shareholders' Meeting does not set a time limit, leaving to the Board of Directors and for it to the Chief Executive Officer, the power to establish which is the most appropriate time to dispose of them and also the power to use the treasury shares also for other purposes allowed by the applicable legislation which are different from the purposes listed above.

To this end, the Board of Directors notes that it would be appropriate to firstly revoke the resolution taken by the ordinary Shareholders' Meeting on 1 August 2016, for the part not yet implemented, in order to also allow the grant of an authorisation for 18 months effective from the date of the relevant resolution.

**2. Maximum number, category and par value of the shares concerned
by the authorisation**

As of the date of this report the share capital of the Company amounts to 2,735,670,475.56 euros, represented by 3,500,638,294 shares without par value, registered and fully paid-up.

In this regard, it is proposed to the Shareholders' Meeting to authorise the purchase of treasury shares, in one or more tranches, for a maximum expenditure equal to the maximum expenditure established in the Authorisation and the one borne by the Company for the purchases carried out until the date of the new resolution by the Shareholders' Meeting (this amount will be notified by the Chair to the Ordinary Shareholders' Meeting during the Shareholders' Meeting itself), in any case up to the maximum limit of 3.5% of the share capital taking in consideration the treasury shares already held by the Company.

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It is specified that the treasury shares already owned by the Company on the date this Report was approved by the Board of Directors (6 March 2017) amounted to 65,573,975, equal to 1.87% of the share capital.

In case of sale, exchange, conferral or impairment new purchase transaction may be carried out until the expiration of the term set in the authorisation by the shareholders' Meeting, without prejudice for the statutory quantities, including those regarding the number of treasury shares which, from time to time, may be held by the Company or its subsidiaries and the terms established by the Shareholders' Meeting.

3. Useful information for the assessment of the compliance with art. 2357, paragraph 3, Italian Civil Code

The purchase covered by your authorisation complies with the limit established by art. 2357, third paragraph, Italian Civil Code (as amended by article 7 paragraph 3-*sexies* Legislative Decree. no. 5/2009, converted into Law no. 33/2009), in consideration of the fact that it concerns a number of shares which, added to the shares already held by the Company, shall not exceed one fifth of the share capital.

Please note, to this regard, that the subsidiaries do not hold any share of the Company.

It is hereby acknowledged that the Board of Directors is obliged to assess that the requirements established under art 2357, paragraphs 1 and 3 Italian Civil Code or the purchase of treasury shares is required upon each single authorised purchase.

4. Term of the authorisation

The Board of Directors proposes that the authorisation to purchase treasury shares, which may be carried out also in multiple times and transactions is granted for the maximum term allowed by art. 2357, paragraph 2 Italian Civil Code and thus for 18 months from the date on which the Ordinary Shareholders' Meeting will adopt the relevant resolution.

Said 18 months term shall not apply to any disposal and/or use transaction of any treasury shares already included in the portfolio of the Company and of the share which may be

bought under the buy back plan submitted to the Shareholders' Meeting.

5. Minimum and maximum price

The purchase price for the shares concerned by this report will be established from time to time in consideration of the procedure selected for carrying out the transaction and complying with any regulation or admitted market practices, but, in any case it shall not exceed 5% and be lower than 5% of the reference price measured on the Electronic Share Market organised and managed by Borsa Italiana S.p.A. ("MTA") during the session held before each single transaction.

In the case where the Company intends to support the liquidity of its shares according to the criteria established by the market practice under art. 180, subsection 1, letter c), of the C.L.F., concerning the activity supporting the market liquidity, accepted by Consob by means of resolution no 16839 dated 19 March 2009 and subsequent amendments, the purchase price will be established according to said admitted market practice. To date, said admitted market practice provides that the purchase price shall not exceed the highest between the price of the last independent transaction and the current price of the highest negotiation proposal for the independent purchase in the ESM.

Said parameters are deemed appropriate for establishing the range of values within which the purchase of treasury shares meets the interests of the Company, provided that the limits established by the legislation in force for value and volumes shall not be exceeded.

As regards the sale, disposal and/or use of the treasury shares, they shall be carried out at the price or, in any case, according to the criteria and conditions established by the Board of Directors, having considered the actual procedure for performing them, the evolution of the share prices during the period preceding the transaction and according to the best interest of the Company.

6. Procedure through which the purchases and the disposals will be carried out

The purchase transactions of treasury shares will be carried out according to the provisions of article 132 C.L.F., article 144-bis of the Issuer Regulation and any other applicable provision,

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including, if any, the market practices which are accepted and acknowledged by CONSOB.

Pursuant to article 132 C.L.F. the purchase transactions concerning your authorisation will be in any case carried out (even in multiple instalments) on the ESM under the operating procedures established in the regulations for the organization and management of the markets managed by Borsa Italiana S.p.A. (and in the relevant instructions) which do not allow for the direct matching of purchase orders with predetermined sell orders, under article 144-bis, subsection 1, letter b) of the Issuer Regulation. The purchases may be performed according to a different procedure than those listed above if allowed by article 132, subsection 3, C.L.F. or by any other provision which is from time to time in force upon transaction.

As regards the sale, disposal and/or use of the treasury shares, the Board of Directors, and for it the Chief Executive Officer, proposes that the authorisation allows the adoption of any procedure which appears to be appropriate for meeting the intended purposes - including the use of treasury shares to support share incentive plans - to be carried out both directly and through brokers, according to the relevant domestic and EU laws and regulations.

Dear Shareholders, we therefore propose to approve the following resolution:

1. *“to revoke the previous authorisation resolution taken on 1 August 2016 (the “Authorisation”), for the part not yet implemented;*
2. *to authorise the purchase of treasury shares, in one or more tranches, for a maximum expenditure equal to the difference between the maximum expenditure established in the Authorisation and the one borne by the Company for the purchases carried out until the date of this resolution¹, and in any case up to a maximum number of shares which does not exceed 3,5% of the share capital of Snam S.p.A., keeping in account the treasury shares that the Company already owns. All the above for a price not exceeding by 5% and not below by 5% of the reference price measured on the Electronic Share Market set up and managed by Borsa Italiana S.p.A. (“MTA” - Electronic Share Market) during the session held before each single transaction. In the case where the Company intends to support the liquidity of its shares according to the criteria established by the market practice under art. 180, subsection 1, letter c), of the C.L.F., concerning the activity supporting the market liquidity, accepted by*

¹ During the shareholders' meeting, the resolution will be updated with the numerical indication of the maximum amount.

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Consob by means of resolution no 16839 dated 19 March 2009 and subsequent amendments, the purchase price will be established according to said admitted marked practice. All the above must be carried out according to the report annexed to this resolution and for the purposes described therein.

- 3.** *to authorise the Board of Directors and for it the Chief Executive Officer, with the right to delegate said powers, to carry out (in one or more tranches, without any time limit and even before having completed the purchases) any transfer of all or part of the treasury shares of the Company purchased under this resolution and also of the treasury shares already held by the Company. As regards the sale, disposal and/or use of the treasury shares, the Board of Directors and for it the Chief Executive Officer is hereby appointed with the mandate, with right to delegate any third party, to decide from time to time the criteria for establishing the relevant consideration and/or procedure, terms and conditions for the use of the treasury shares held in the portfolio, having considered the actual procedure for performing them, the evolution of the shared prices during the period preceding the transaction and according to the best interest of the Company, and said transactions shall be carried out both directly and through brokers, according to the domestic and EU laws and regulation. All the above must be carried out according to the report annexed to this resolution and for the purposes described therein".*

The Chairman of the Board of Directors
Mr Carlo Malacarne