

SNAM S.p.A.

EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING OF 2

APRIL 2019

ON SINGLE CALL

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

ORDINARY SESSION

Item 3

**Authorisation to purchase and dispose of treasury shares, subject to revocation of the
authorization granted by the Ordinary Shareholders' Meeting of 24 April 2018, for the
part not yet implemented.**

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 Regulations approved by CONSOB 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 24 April 2018, authorised in accordance with Articles 2357 and 2357-*ter* of the Italian Civil Code and 132 of the C.L.F. the purchase of treasury shares for an outlay of up to 500 million euros and up to the

maximum limit of 134,564,883 shares, without however exceeding 6.5% of the subscribed and freed up share capital, taking into consideration the treasury shares already held by the Company, to be carried out in one or more tranches, within 18 months of the date of approval by the Shareholders' Meeting itself, as well as the disposal of treasury shares (hereafter, the “2018 Authorisation”).

The purpose of the 2018 Authorisation was to ensure that 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 and through any subsequent cancellation of treasury shares without reducing the capital, to be resolved on at the first useful shareholders' meeting, in compliance with the necessary corporate obligations.

On the basis of the 2018 Authorisation, the Company, up until the date this Report was approved by the Board of Directors (18 February 2019), acquired 77,275,038 treasury shares, amounting to 2.23% of the share capital, for a total countervalue of 284,036,647.64 euros; overall, following the purchases, and taking into consideration the treasury shares already held, as of the date of this report Snam holds 168,197,663 treasury shares equal to 4.85% of the share capital.

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 2018 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, subsection 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 and any future share incentive plans.

With regard to the procedure for disposing of the purchased shares, as for the 2018 Authorisation, 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.

In consideration of the above purposes (which led the Company to implement a share buyback plan that 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 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 revocation of the part not yet implemented of the 2018 Authorisation, that a new authorisation be granted.

The core content of the requested new authorisation remains basically unchanged, as regards the purchase and the authorisation to dispose of both the treasury shares already in the portfolio and those which may be bought back under the buyback authorisation subject to the approval of the Shareholders' Meeting, with respect to those already covered by the 2018 Authorisation.

The Board of Directors noted that it would be appropriate for the Ordinary Shareholders' Meeting to firstly revoke the resolution of 24 April 2018, for the part not yet implemented, before approving a new authorisation for a period of 18 months starting from the date of the relative shareholders' meeting resolution.

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

It is specified that on the date this Report was approved by the Board of Directors (18 February 2019) the Company's share capital amounted to 2,735,670,475.56 euros and was made up of 3,469,038,579 ordinary shares without an indication of the nominal value, registered and fully paid-up, and that the treasury shares number 168,197,663, equating to 4.85% of the share capital. Should the proposal to pass a resolution to cancel 74,197,663 treasury shares be approved, as per the item on the agenda of the extraordinary session of the same Shareholders' Meeting of 2 April 2019, the Company's share capital will still amount to 2,735,670,475.56 euros, made up of a total number of 3,394,840,916 ordinary shares without an indication of the nominal value and the remaining treasury shares will correspond to a share capital percentage of 2.77%.

In this regard, it is proposed to the Shareholders' Meeting to authorise the buyback of treasury shares, in one or more tranches, for a maximum outlay of 500 million euros, in any case up to the maximum limit of 126,664,660 shares, without however exceeding 6.5% of the Company's share

capital, taking into consideration the treasury shares already held by the Company, also in the event that the proposed cancellation as per the item of the agenda of the extraordinary session of the same Shareholders' Meeting of 2 April 2019 is not approved.

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*, lett. a) of 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, does 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.

The aforementioned time limit of 18 months shall not apply to any transactions to disposal of and/or use the treasury shares already included in the Company's portfolio and those that may be bought back under the buyback authorisation submitted to the Shareholders' Meeting for approval.

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” - 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 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, as amended or replaced over the duration of the proposed authorisation. 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 shared 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's Regulations and any other applicable provision, through one or more intermediaries of primary standing appointed by the Company. Pursuant to article 132 C.L.F. and article 144-*bis*, subsection 2, of the Issuer Regulation, 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 or with the procedures established by art. 5 of EU Regulation 596/2014 or with the procedures established by market practice admitted by Consob pursuant to art. 13 of EU Regulation 596/2014, pursuant to art. 144-*bis*, subsection 1, letter d)-ter of the Issuers' Regulations. The purchases may be performed with different procedures than those listed above if allowed by article 132 C.L.F. and in compliance with the additional legal and regulatory provisions which are from time to time in force at the time of the transaction. The use of options and/or derivatives is not envisaged for the purchase of treasury shares.

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 to purchase of treasury shares passed by the Shareholders' Meeting on 24 April 2018, for the part not yet implemented;*

2. *to authorise the Board of Directors, and on its behalf the Chief Executive Officer, with the right to delegate said powers, to purchase treasury shares, through one or more intermediaries of primary standing appointed by the Company, in one or more tranches, for the maximum duration of 18 months from today's date, for a maximum outlay of 500 million euros and up to a maximum limit of 126,664,660 shares without in any case exceeding 6.5% of the share capital subscribed and freed up, taking into consideration the treasury shares already held by the Company and using the procedures laid down in art. 144-bis, subsection 1, letter b) of the Issuers' Regulations or the procedures established by art. 5 of EU Regulation 596/2014 or the procedures established by market practices admitted by Consob pursuant to art. 13 of EU Regulation 596/2014, pursuant to art. 144-bis, subsection 1, letter d)-ter of the Issuers' Regulations, or different procedures than those listed above if allowed by article 132 C.L.F. and, in any case, in compliance with the additional legal and regulatory provisions which are from time to time in force at the time of the transaction. The price for transactions to purchase treasury shares, without prejudice to the requirements of the buyback programmes governed by art. 5 of EU Regulation 596/2014, should not exceed 5% or be below 5% of the reference price measured on the Electronic Share Market organised 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 Consob by means of resolution no 16839 dated 19 March 2009, as amended or substituted over the duration of the authorisation, 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, 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