

## MESSAGE FROM THE CEO

### Dear Stakeholders,

The 2012 Sustainability Report is the second report produced by Snam under the new identity adopted by the group since the implementation of the Third Energy Package. Snam produced another set of strong operational and financial results in the year just ended, which saw some important developments: our European strategy was strengthened, there were changes in shareholder control and the consequent debt refinancing programme was successfully completed.

Full ownership unbundling of Snam from Eni, which entailed Cassa Depositi e Prestiti (CDP) becoming the reference shareholder with 30% of the share capital, marked another step towards full managerial autonomy. It also signalled awareness of the role that Snam can – and must – play in developing the Italian gas market, to generate ever greater competition, security and diversification in terms of supply and integration with the European market. The conditions for implementing our mission are all in place, and we are working to make them even more concrete.

First and foremost, Snam is a company with a sound business model, producing durable operating and financial results. Despite the persistently negative economic climate, which has been a severe test for the markets

and their ability to support business growth, Snam again posted increased profits in 2012: EBIT grew by 7.8% compared with 2011, while net profit was down slightly, by 1.4%. This decrease was due to higher financial charges, partly arising from the debt refinancing that Snam completed during the year, achieving full independence from Eni also in this respect.

The Snam share closed 2012 at an official price of €3.52, up 3.8% compared with the €3.39 recorded at the end of the previous year. The share was again included in the main sustainability indices in 2012.

Our access to the capital market will allow us to further strengthen our capital and implement the substantial investment programme announced in 2012, supporting our business plans in Italy and our international development strategy of creating an integrated gas network in Europe. In early 2012, we forged a strategic alliance with Fluxys, which led to the first practical step of the joint acquisition of equity interests in the "Interconnector" gas pipeline, linking the continent of Europe with the UK.

Snam, which operates in a regulated market, is responsible by nature and with a particular focus on mitigating risk, whether financial or operational. In 2012, new



**Carlo Malacarne**  
CEO

guidelines were issued for the prevention of corruption risks, and legal compliance protocols were disseminated throughout the supply chain. The crisis management system was also overhauled to ensure business continuity and an appropriate response to emergency situations. In terms of safety, which is one of our major concerns, we took action in several areas: the "Objective: Safety" project for raising internal awareness; winning OHSAS 18001 certification for Snam, GNL Italia and Stogit; and a stable, strong training plan with nearly 27,000 hours delivered. Finally, the accident indices improved again, due to dissemination of the certified management systems, pursuant to international standards and numerous awareness initiatives. The accident frequency indices for employees were down by 32%, and down by 51% for contractors.

Snam pays close attention to the social implications of its activities. The headcount balance was largely unchanged in 2012. Almost all Snam personnel are on permanent employment contracts, and are distributed through nearly all of Italy. Snam also confirmed its focus on sustainable growth with active support for the Global Compact, its principles and the Millennium Development Goals.

Last but not least, the company has renewed its commitment to building a new form of corporate citizenship, based on projects and initiatives designed to create value that is shared with the regions and communities in question.

At the end of 2011, Snam embarked on the "Shared Value" approach with the aim of strengthening sustainability to incorporate risk reduction, to which the Company has always been committed. This Report sets out the first steps of this approach, which is a gradual and progressive route map that can identify models, feasibility studies and practical projects designed to utilise our tangible and intangible capital and generate value for our stakeholders. The group is sound, with margins for development in its businesses, and above all it creates value.

These factors make Snam a company that is efficient for the market, credible for stakeholders and stable for shareholders. Our task is to continue to work in this direction.

A handwritten signature in black ink, which appears to read 'Carlo Malacarne'. The signature is fluid and cursive.

Chief Executive Officer