

Snam in 2017 - Summary Data and Information

Applicable regulatory framework and principal developments

Tariff regulation in Italy

By means of Resolutions 514/2013/R/gas, 438/2013/R/gas and 531/2014/R/gas, the Energy Grid and Environment Regulatory Authority (ARERA) defined the tariff criteria for the fourth regulatory period, in force from 1 January 2014, for transportation and regasification activities, and from 1 January 2015 for storage activities. Furthermore, with resolutions 575/2017/R/gas, 653/2017/R/gas and 68/2018/R/gas, the Authority defined tariff criteria for the transport and regasification sectors respectively for the transitional period 1 January 2018 - 31 December 2019, and 1 January 2019 - 31 December 2019 for the storage sector.

Fourth regulatory period

Transport	4 years + 2 years (transitory period)	January 2014	December 2019
Regasification	4 years + 2 years (transitory period)	January 2014	December 2019
Storage	4 years + 1 years (transitory period)	January 2015	December 2019

The following graphic shows the main tariff components for each of the regulated activities carried out by Snam, based on the regulatory framework in force as at 31 December 2017. Further information regarding major new rate developments occurred, with respect to each business sector, is provided in the chapter "Business segment operating performance – Tariff regulations" of this Report.

	Transportation	Regasification	Storage
End of regulatory period (TARIFFS)	<p><i>Current period:</i> 31 December 2017</p> <p><i>Transitional period:</i> 1 January 2018 - 31 December 2019</p>	<p><i>Current period:</i> 31 December 2017</p> <p><i>Transitional period:</i> 1 January 2018 - 31 December 2019</p>	<p><i>Current period:</i> 31 December 2018</p> <p><i>Transitional period:</i> 1 January 2019 - 31 December 2019</p>
Calculation of net invested capital recognised for regulatory purposes (RAB)	Revalued historical cost	Revalued historical cost	Revalued historical cost Deduction of restoration costs recognised
Return of net invested capital recognised for regulatory purposes	5.4% 2016-18 (*)	6.6% 2016-18 (*)	6.5% 2016-18 (*)
Incentives on new investments	<p><i>Current period (investments in 2014-2017):</i></p> <p>+1% for 7 years (regional network development investments)</p> <p>+1% for 10 years (national network development investments)</p> <p>+2% for 10 years (entry point development investments)</p> <p>WACC +1% on investments made in 2014-2016 to offset the regulatory time-lag</p> <p><i>Transitional period (investments in 2018-2019):</i></p> <p>+1% for 12 years (investments in new transportation capacity and with positive cost-benefit analysis)</p> <p>Return on investments t 1 (from 2017 investments) to offset regulatory time-lag</p>	<p><i>Current period (investments in 2014-2017):</i></p> <p>+2% for 16 years (new terminals or expanding existing terminal capacity >30%)</p> <p>WACC +1% on investments made in 2014-2016 to offset the regulatory time-lag</p> <p><i>Transitional period (investments in 2018-2019):</i></p> <p>+1.5% for 12 years (investments in new regasification capacity)</p> <p>Return on investments t 1 (from 2017 investments) to offset regulatory time-lag</p>	<p><i>Current and transitional period:</i></p> <p>Withholding for 8 years of 20% of revenues in excess of revenue recognised resulting from insolvency procedures</p> <p>Return on investments t-1 to offset the regulatory time-lag (from 2014)</p>
Efficiency factor (X FACTOR)	<p><i>Current period:</i> 2.4% - on operating costs</p> <p><i>Transitional period:</i> 1.3% - operating costs</p>	<p><i>Current period and transitional period:</i> 0%</p>	<p><i>Current period:</i> 1.4% - on operating costs</p> <p><i>Transitional period:</i> To be defined in P.T. 2019</p>

(*) The rate of return on net invested capital (WACC) in force from 1 January 2016 was set by the Authority by means of Resolution 583/2015/R/com of 2 December 2015, "Rate of return on invested capital for infrastructural services in the electricity and gas sectors: calculation and updating criteria". The duration of the WACC regulatory period for infrastructure regulations in the gas sector is set at six years (2016-2021), and a mechanism is provided for updating the rate at mid-period according to the prevailing situation.

Regulation in European countries of interest to Snam: main features

The countries of interest where Snam operates through international investments have implemented tariff regimes with distinct reference parameters by context, or negotiated regimes that are, therefore, non-regulated from a tariff standpoint. Snam constantly monitors the regulatory evolution in these contexts.

		2016	2017	2018	2019	2020	2021
TAG GCA Transportation	Regulated System			3rd Regulatory Period			
TIGF Transportation	Regulated System			ATRT6			
TIGF Storage	Negotiating System			Introduction of the regulated system			
IUK Transportation	Exemption System			Introduction of the regulated system			
TAP Transportation	Exemption System					Long-term contracts	

TAG GCA Transportation

- Differentiated RAB between Revalued Historical Cost and Book Value. There is also different treatment of (pre-2012) old assets and new investments;
- There are differentiated return rates for the share of RAB financed through Equity (Cost of Equity^(*) 8.92% Actual Pre-Tax) and for the share financed through Debt (Cost of Debt 2.7% Nominal Pre-Tax).

TIGF Transportation

- RAB revalued annually using inflation (Consumer Price Index) taking into account new investments and amortisation and depreciation (Current economic cost method);
- WACC return rate equal to 5.25% Actual Pre-Tax.

Storage

- Storage under regulated system from January 2018;
- WACC return rate equal to 5.75% Actual Pre-Tax; RAB around €1.2 billion.

IUK Transportation

- Exemption system until October 2018;
- Shift from an exemption system to a regulated system at the expiry of the long-term contracts (October 2018).

TAP Transportation

- Third Party Access exemption on the initial capacity (10 bcm/y);
- Exemption from tariff regulation on the initial and expansion capacity.

^(*) This value includes a premium for the risk related to the marketing of capacity equal to 3.5%.

Results⁴

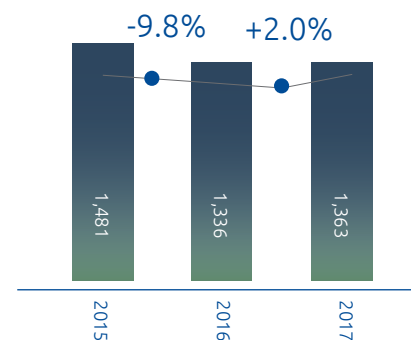
In order to allow a better assessment of group performance and greater data comparability, Snam's management has developed alternative performance measures not provided for by the IFRS (Non-GAAP measures), mainly represented by the pro-forma and adjusted results. Further to excluding the special item, limited to the comparative periods (2015 and 2016) alone due to the discontinuity elements that characterised 2016, these results reflect Italgas Group's contribution to continuing operations by applying the related 13.5 shareholding percent to the net profit of the Italgas Group for the entire year.

Adjusted results⁵

Due to soundness of operational management and rigorous financial discipline, Snam achieved very positive results in 2017. **Adjusted EBIT⁶** totalled €1,363 million, up €27 million (2.0%) compared with the same value from the 2016 financial year. The higher revenues (+€26 million, 1.1%), mainly attributable to the natural gas transportation and storage sectors, and lower operating costs (+€9 million, or 2.1%), also due to the effects of the Efficiency Plan (+€19 million), were partially offset by the increase in amortisations and depreciations for the period (-€8 million, or 1.2%), mainly due to the amortisation deriving from the entry into service of new infrastructure, which was partly absorbed by lower impairment of tangible assets.

As regards business sectors, the increase in adjusted EBIT essentially reflects the positive performance recorded by the transport sector (+2.6%, + € +27 million).

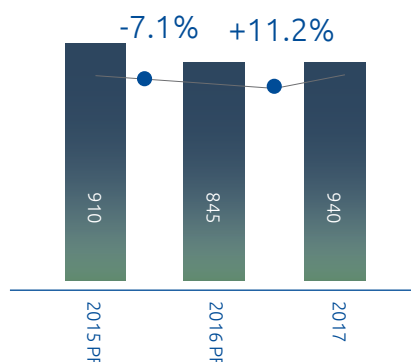
Ebit adjusted (€ million)



4 Unless otherwise specified, results for 2015 and 2016 shown below refer to continuing operations (transport, re-gasification and storage of natural gas) and, therefore, exclude the contribution of the natural gas distribution sector, represented as "discontinued operations" pursuant to accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations". To allow greater data comparability and in with a view to remove distortions arising from the application of the aforementioned principle, eliminations deriving from intercompany transactions towards discontinued operations have been restored to continuing operations.

5 For the definition of these indicators and the reconciliation of the economic ones with the related reported results, in line with the guidelines of the 2015/2016 ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015, please refer to the chapter "Financial review and other information - Non-GAAP measures".

6 EBIT was analysed by isolating only the elements that resulted in a change to that figure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs. Those components mainly pertained to natural gas interconnections and transfers carried out for purposes of balancing the gas system.

Adjusted net profit (€ million)

Adjusted **net profit stood at €940 million**, up €95 million (+11.2%) compared to the adjusted pro-forma net profit for 2016. The increase, in addition to the greater operating profit, was due to: (i) lower net financial expenses (+€36 million, or 13.7%), which benefitted from a reduction in the average cost of debt, as well as benefits deriving from optimisation actions carried out during the period 2016 and 2017, in particular, the liability management operation completed in October 2016 and the financing operations carried out during the year, as well as the reduction in average debt for the period; (ii) higher net income from investments (+ €15 million, +11.1%); (iii) lower income taxes (+ €17 million, or 4.7%) mainly attributable to the reduction from January 1, 2017 of the IRES rate from 27.5 to 24.0%, partially offset by the higher pre-tax profits.

Net financial debt was €11,550 million as at 31 December 2017, compared with €11,056 million as at 31 December 2016. The net cash flow from operating activities (€1.864 million) allowed us to fully cover the financial requirements associated with net investments for the period equal to €1.441 million, including investments in shareholdings, and to generate a free cash flow of €423 million. Net financial debt, after the payment to shareholders of the 2016 dividend (€718 million) and the cash flow deriving from the purchase of treasury shares (€210 million), shows an increase of €494 million compared to 31 December 2016, including non-monetary components related to financial indebtedness (€ 11 million).

Dividends

Our healthy results and solid business fundamentals allow us to propose **a dividend of €0.2155 per share** to the Shareholders' Meeting, of which €0.0862 per share was paid in January 2018 as an interim dividend and the balance of €0.1293 per share will be paid from 18 June 2018 (record date 19 June 2018), confirming Snam's commitment to an attractive and sustainable remuneration of its shareholders over time.

Free cash flow

+€423 million

2017 dividend
€0.2155 per share

Main income statement data (a)

	Pro-forma		Adjusted
	2015	2016	2017
(millions of €)			
Total revenue	2,627	2,560	2,533
- of which from regulated activities	2,502	2,444	2,434
Operating costs	570	573	511
Operating profit (EBIT)	1,481	1,336	1,363
Net profit (b)	910	845	940

(a) Changes in the income statement results shown in the table, as well as in those later in this Report, unless otherwise indicated, must be understood as changes in the results for the adjusted 2017 financial year compared to the 2016 pro-forma adjusted year. Percentage changes are calculated in relation to the data indicated in the related tables.

(b) Entirely held by Snam shareholders.

	2015	2016	2017
(millions of €)			
Reported Results			
Operating profit (EBIT)	1,427	1,293	1,348
Group net income (*)	1,238	861	897

(*) Entirely held by Snam shareholders.

Key profit and financial indicators

		2015	2016	2017
Net profit per share (b)	(€)	0.227	0.169	0.262
Adjusted net profit per share (a) (c)	(€)	0.260	0.242	0.275
Group shareholders' equity per share (a)	(€)	2.17	1.86	1.81
Pay-out (Dividends for the period/Group net profit) (d) (e) (f)	%	70.68	83.86	81.61
Dividend yield (Dividend for the period/year-end official share price) (d) (e)	%	5.2	5.4	5.3
Price/Book value (Average official price per share/Group shareholders' equity per share) (g)	(€)	2.08	2.21	2.24

(a) Calculated considering the average number of shares outstanding during the year.

(b) Figures for 2015 and 2016 have been calculated with reference to the net profit of continuing operations.

(c) Figures for 2015 and 2016 have been calculated with reference to the adjusted pro-forma net profit.

(d) The 2017 amount (relating to the dividends) is estimated based on the outstanding number of shares as at the date of this Report (13 March 2018).

(e) The figure for the 2015 financial year refers to the scope of consolidation of the Snam Group prior to the separation operation of Italgas.

(f) Figures for 2015 and 2016 were calculated with reference to the Group's net income (continuing and discontinued operations) of € 1,238 and €861 million, respectively.

(g) The official average price per share for the year 2015 refers to the historical average and does not take into account the price adjustment carried out following the demerger operation.

Key balance sheet and cash flow figures

(millions of €)	2015	2016	2017
Technical investments	879	906	1,034
Net invested capital at 31 December	21,365	17,553	17,738
Group shareholders' equity at 31 December	7,585	6,497	6,188
Net financial debt at 31 December	13,779	11,056	11,550
Free cash flow	771	1,707	423

Key share figures

		2015	2016	2017
Number of shares of share capital	(million)	3,500.6	3,500.6	3,500.6
Number of shares outstanding at 31 December	(million)	3,499.5	3,470.7	3,414.5
Average number of shares outstanding during the year	(million)	3,499.5	3,496.8	3,422.4
Year-end official share price (a)	(€)	4.002	3.923	4.086
Average official share price during the period	(€)	3.721	4.101	4.043
Market capitalisation (b)	(million)	16,973	13,612	13,953
Dividend per share	(€ per share)	0.25	0.21	0.22
Dividends per period (c)	(million)	875	718	732
Dividends paid in the period	(million)	875	875	718

- (a) According to the definitions in Borsa Italiana S.p.A.'s "Principles and Conventions", following the extraordinary transactions, in order to restore the continuity and comparability of stock prices, an appropriate coefficient to adjust the historical series must be applied. Therefore, the official price of Snam's stock relating to 2015 has been adjusted.
- (b) The product of the number of shares outstanding (exact number) multiplied by the year-end official share price. The value for 2015 was calculated on the basis of the historical official prices recorded at the end of the year equal to €4.85, and do not take into account the price adjustments made following the demerger operation.
- (c) The amount for 2017, representing the balance, was estimated on the basis of the number of shares outstanding as at the date of this Report (13 March 2018).

Breakdown of added value

At Snam, sustainability and the creation of value are strongly connected concepts. Sustainability creates value for the Company and stakeholders, and establishes a connection between the business and corporate social responsibility. The Company produces wealth by contributing to the economic growth of the society and environment in which it operates, and it measures this wealth in terms of added value produced and distributed to its key stakeholders.

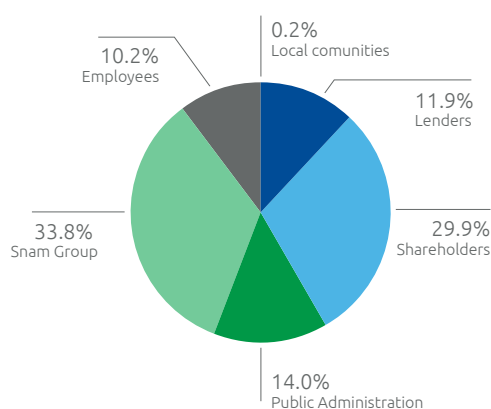
Snam calculates the added value taking inspiration from the standard prepared by the Gruppo di Studio per il Bilancio Sociale (GBS) and the GRI Standards. The table below is useful for understanding the Group's economic impact and makes it possible to read the consolidated financial statements from the standpoint of stakeholders. To this end, it should be noted that the calculation of the Value Added in 2017 was made on the basis of the values drawn from the legal scheme of the Income Statement. As for 2016, also due to the elements of discontinuity that characterised this year, we used the income statement values referring to continuing operations.⁷

In 2017, the gross global added value produced by Snam was €2,447 million: a slight reduction (€71 million, 2.8%) compared to 2016 (€2,518 million). The reduction is mainly due to the effects of the separation from Snam of natural gas distribution activities completed in 2016, which generated extraordinary financial income related to the repayment to Snam by the demerged companies, of the financial debts outstanding at the relative market value.

A total of 33.8% of the gross global added value produced by Snam was **reinvested within the Group** (in line compared with 2016: +9.8%), and intended essentially for the amortisation and depreciation of the intangible and tangible fixed assets used in the production process (100% in 2016). With regard to the main reference stakeholders, 2017 shows a stable incidence of Added Value distributed to **employees** (10.2%; -0.1% compared to 2016) through direct remuneration consisting of wages, salaries and employee severance indemnity and indirect remuneration consisting of social charges and personnel service costs (canteen services,

travel expenses reimbursement), whilst there was an increase in the value destined for the **Public administration** through the payment of direct and indirect taxes (14.0%, +1.2% compared to 2016), mainly attributable to the higher pre-tax profit, despite the reduction of the IRES tax rate from 27.5% at 24.0%, which started on 1 January 2017. With reference to **lenders**, there was a reduction in the value distributed of 12.3% (11.9%; 24.2% in 2016) also against the benefits deriving from the optimisation actions implemented in 2016 and 2017, in particular the operation of liability management completed in October 2016. The value distributed to **shareholders** through distributed dividends is up (29.9%, +1.3% compared to 2016) despite the lower number of shares outstanding following the repurchase of treasury stock carried out by Snam as part of the share buyback program launched in November 2016. Lastly, an amount of approximately €5 million was designated for **local communities** (0.2% of the value generated) through donations and sponsorship initiatives and environmental compensation pursuant to the law.

Breakdown of added value



In addition, for the protection of the environment, Snam has incurred expenses for a value of approximately 120.6 million € (108.4 million € for investments and 12.2 million € for operating costs).

⁷ These values include the restoration of continuing operations, for each item in the income statement, of the eliminations arising from transactions towards discontinued operations.

Main events

Share buyback programme

On 11 April 2017, subject to revocation of the previous resolution of the Ordinary Shareholders' Meeting of 1 August 2016, the Shareholders' Meeting authorised the purchase of treasury shares, in one or more transactions, for a maximum duration of 18 months⁸, and for a maximum disbursement corresponding to the remaining unrealised portion of € 196 million, resulting from the difference between the maximum outlay (€500 million) and that incurred by the Company for purchases made up to the date of the Shareholders' Meeting resolution (€304 million), all however up to the maximum limit of 3.5% of the Company's share capital, having regard to the treasury shares already held by the Company. The essential acquisition-related contents are substantially unchanged compared to those already provided for in the previous authorisation, with the addition of the resolution concerning the authorisation to the Board of Directors for the sale of both own shares already held in portfolio and those that they may be repurchased under the share buyback plan.

As part of the aforementioned plan, on 31 December 2017, Snam purchased 84,788,366⁹ of its own shares (equal to a 2.42% stake), for a total value of € 313 million and, on the same date, holds 85,915,616 of its own shares, equal to a 2.45% stake.

With effect from 12 January 2018, Snam has also stipulated an enhanced buyback agreement with a top-level intermediary with a duration of not more than three months. Snam has subsequently renewed the mandate of the same intermediary through an "enhanced

buyback agreement" not exceeding two months starting from 20 February 2018. The appointed intermediary will perform independent purchases, in compliance with the contractually predefined parameters and criteria, as well as the constraints of the applicable legislation and of the Shareholders' resolution. Any purchases shall be made on the MTA in accordance with Article 144-bis, paragraph 1, section b) of Consob Regulation 11971/1999 and with other applicable provisions, in order to ensure compliance with the fair treatment of shareholders pursuant to Article 132 of the TUF, as well as according to the operating procedures established in the organisation and management regulations of Borsa Italiana S.p.A.

Long-term stock incentive plan

On 11 April 2017, the Shareholders' Meeting approved the 2017-2019 long-term stock incentive plan, conferring to the Board of Directors, and for it to the CEO, with express faculty to sub-delegate, every necessary power for the complete implementation of the aforementioned Plan. The adoption of a long-term stock incentive plan (performance share) aims to align Snam with market practices and strengthen the link between the creation of value for shareholders and management remuneration. This plan is envisaged for the Chief Executive Officer and a maximum of 20 other management executives who hold positions with the greatest impact on the creation of value or with strategic importance for the achievement of the multi-year objectives of Snam. In implementation of the aforementioned delegation, on 20 June 2017 the Board of Directors resolved:(i) the annual allocation of

the incentive in favour of the Chief Executive Officer; (ii) approval of the Regulations for each annual award; (iii) identification of the Beneficiaries on the basis of the defined criteria; (iv) the conditions for implementation. Further information on the characteristics of the Plan is provided in the section "Other information - Long-term stock incentive plan 2017-2019".

Exit incentive agreement

On 17 November 2017, Snam and a series of the most representative trade unions signed the implementation agreement (hereafter the "Plan"), relating to the pension advance instrument for its employees, regulated by Art. 4 paragraphs 1-7 of the Italian Law No 92/2012 (the so-called "Fornero Law"). This agreement follows the preliminary agreement signed by the parties on 26 July 2017. The Plan intends to create, by 31 March 2018, the conditions for the companies of the Snam Group that favour the early exit of beneficiary employees in order to achieve a generational turnover. The personnel concerned who have completed the pension requirements set out in the Plan, subject to approval of the same by INPS, and currently amounts to 100 individuals. As far as the application of this implementing agreement is concerned, Snam has committed itself to pay the beneficiary employees, in addition to the amounts set out in the Plan, a further amount as a retirement incentive. In relation to the aforementioned Plan, in the fourth quarter of 2017 the income statement recorded expenses of € 15 million, including personnel costs and the costs for early retirement incentives granted to employees participating in the Plan (€ 2 million).

⁸ The 18-month period starts on the date of execution of the Shareholders' resolution.

⁹ Of which 56,010,436 shares purchased in 2017 for a total cost of € 210 million.

Optimisation of the Group's financial structure

Convertible bond loan

On 14 March 2017, an equity-linked bond loan was successfully placed for a nominal amount of € 400 million with five-year bonds issued at par and with no monetary interest. The Regulation and closing of the bonds took place on 20 March 2017. The initial conversion price of the bonds was set at € 48.453, which represents a premium of 26% above the volume weighted average price (VWAP) of the Company's ordinary shares, as shown in the price list of Borsa Italiana S.p.A. between the launch of the offer and the determination of the price of the bonds, both of which occurred on 14 March 2017.

On 11 April 2017, the Shareholders' Meeting approved, among other things, an authorisation of the Board of Directors for the disposal of treasury shares. On 12 April 2017, Snam sent the bond holders the Physical Settlement Notice, from 13 April 2017 assigning the right to convert the bonds into ordinary shares of the Company.

The bonds will be redeemed at their face value on 20 March 2022, unless there is an early repayment or the bonds are previously converted or repurchased by the Company.

This transaction represents a step forward in the optimisation of the debt structure, allowing the creation of further value through the share buyback program and obtaining funding at competitive costs, with a positive impact on cash flows. The success of the transaction confirms investor confidence in Snam's equity story.

Renewal of the EMTN programme

On 6 October 2017, the Board of Directors of Snam resolved to renew the EMTN programme for a maximum value of € 10 billion.

As a result, the Board has decided to issue one or more additional bonds to be executed by 6 October 2018, for a maximum amount of approximately € 1.8 billion, increased by the amount corresponding to the bonds repaid during the same period, to be placed with institutional investors. The total nominal value of issued bonds in circulation in each instance may not exceed the maximum limit of € 10 billion. The securities issued may be listed on one or more regulated markets. At 31 December 2017 there are outstanding bonds for a nominal value of approximately € 8.2 billion¹⁰ issued under the EMTN Programme. The EMTN programme represents an effective instrument to raise funding on the market in a flexible manner and at competitive costs, in a way consistent with Group requirements in terms of changes in the financial structure.

Bond buyback

On 25 October 2017, Snam successfully completed a buyback on the market of bonds with a total nominal value of € 607 million, with an average coupon of approximately 2.5% and a remaining maturity of approximately 4.4 years. The repurchase price totaling € 656 million was largely financed through a new fixed rate bond issue, expiring on 25 October 2027, for a total amount of € 650 million, with a coupon equal to 1.375% and a duration of ten years.

The effects of this transaction on the 2017 income statement (€ 56 million gross of the tax effect) are essentially represented by the charges deriving from the difference between the outlay deriving from the repurchase of part of the bonds on the market and the amortised cost valuation of the bonds themselves.

By means of this transaction, Snam continued the process to optimise its debt structure, which was undertaken with the objective of continuous improvement in the cost of capital, extending the average term of debt and reducing the refinancing risk.

¹⁰ The convertible bond loan with a nominal value of € 400 million is not part of the EMTN Programme.

Private placement in January 2018

As part of the € Medium Term Notes (EMTN) programme approved by the Board of Directors on 6 October 2017, on 22 January 2018 Snam S.p.A. completed a private placement with primary institutional investors for a total amount of € 350 million, a two-year duration and variable yield equal to three-month Euribor plus 0.15%. With the aforementioned issue, Snam continues to optimise its debt structure and continuously improve the cost of capital, in line with its objectives.

Business developments

Acquisitions

Infrastrutture Trasporto Gas S.p.A.(ITG) and Terminale GNL Adriatico S.r.l. (Adriatic LNG)

On 25 July 2017, Snam signed a definitive agreement with Edison for the acquisition of 100% of the share capital of Infrastrutture Trasporto Gas S.p.A.(ITG), the third-largest Italian operator in the transport of natural gas that manages the 83.3 km pipeline between Cavarzere (Veneto) and Minerbio (Emilia Romagna), connecting the Adriatic LNG regasification terminal to the national transport network at the height of Minerbio, and a 7.3% stake in Terminale GNL Adriatico S.r.l. (Adriatic LNG), the largest offshore infrastructure for the unloading, storage and regasification of LNG and the largest LNG terminal in Italy. On 13 October 2017, following the occurrence of the conditions precedent to the completion of the transaction, Snam S.p.A. concluded the acquisition against a consideration, net of the price adjustment, totaling € 217 million. Relevant contractual agreements also envisage that if Adriatic LNG signs new contracts to use terminal capacity, Snam will grant Edison a

potential additional consideration in the form of an earn-out.

The investment allows Snam to strengthen its infrastructures in Italy and to exploit further synergies in the integrated management of the entire gas system, connecting a strategic entry point for the Italian natural gas market to the national transportation network.

Main partnership agreements

CNG - Framework agreement for the development of methane stations

On 25 May 2017, Snam and Eni signed a framework agreement for the development of methane filling stations in Italy. The partnership aims to create new compressed natural gas (CNG) and liquefied natural gas (LNG) plants within the national network of Eni distributors, favouring the supply of low-emission alternative fuels such as natural gas. Natural gas eliminates particulate matter, the main substance responsible for the pollution of urban areas, as well as ensuring significant economic benefits for consumers. The framework agreement is one of Snam's initiatives to promote sustainable mobility for the construction of new distributors, in order to support the development of plants for the supply of natural gas and their more balanced dissemination in the various regions of the country, also improving the quality of the service provided to users.

With a consolidated and cutting-edge technology, Italy is the leading European market for methane fuel consumption, with over 1 billion cubic metres consumed in 2015 and around 1 million vehicles currently in circulation. The framework agreement and subsequent contracts for its application will provide additional impetus to the natural gas business segment in the transport sector, which represents technological and environmental excellence that is

recognised worldwide and can further leverage Europe's more extensive and accessible network of methane pipelines, which are more than 32,000 kilometres in length.

Methanisation of Sardinia

Snam, Società Gasdotti Italia (SGI) and its shareholders Macquarie European Infrastructure Fund 4 and Swiss Life Holding have identified a shared project for the construction of the natural gas transport infrastructure in Sardinia, which can be powered by a multiplicity of entry points currently identified in Cagliari, Oristano and Porto Torres. The project is able to bring about lower utilities costs for households and businesses, as well as new development and competitiveness opportunities for the local economy. This includes new employment prospects, in particular in the manufacturing and maritime transport sectors.

The joint Snam-SGI implementation and management of the project and of the natural gas transport network may be entrusted to a company controlled by Snam. The construction and commissioning of the first section of the network is estimated for 2020, after obtaining the necessary authorisations.

Snam Global Solutions

Memorandum of Understanding with Eustream, Naftogaz and Ukrtransgaz

On 10 April 2017 Snam, the Slovakian company Eustream, and the Ukrainian companies Naftogaz and Ukrtransgaz signed a Memorandum of Understanding aimed at jointly evaluating opportunities for collaboration in the management and modernisation of the Ukrainian gas network. The Memorandum is also aimed at supporting the reliability of natural gas transportation in Ukraine, in line with European

market standards, ensuring the safe and efficient management of the Ukrainian gas transport system and making it accessible to third parties in a transparent and non-discriminatory manner, consistent with the legislation in force.

Memorandum of Understanding with EDA THESS

On 24 July 2017, Snam and EDA THESS, one of Greece's leading gas infrastructure operators, signed a Memorandum of Understanding aimed at developing areas of collaboration to support the management and development of the infrastructure system managed by the Greek company, in view of the final phase of the opening of the Greek domestic market to third parties.

Memorandum of Understanding with Albgaz

On 31 July 2017, Snam and Albgaz, the infrastructure operator of the Albanian gas market, signed a Memorandum of Understanding aimed at developing areas of collaboration to support the start-up and development of the infrastructural system that will be managed by the Albanian company, in connection to methanisation expected with the arrival of the TAP pipeline in the country.

Memorandum of Understanding with Baker Hughes

Snam and Baker Hughes, world leader in digital services and solutions to support the industry in the energy field, signed a Memorandum of Understanding on 26 September 2017, aimed at starting a collaboration for the development of integrated and technologically advanced solutions in the gas infrastructure supply chain. The main events relating directly to the operating segments are described in the "Business segment operating performance" section of this Report.

Post-balance sheet events

Agreement for the acquisition of a controlling stake in tep energy solution (TEP)

On 23 February 2018, Snam signed an agreement for the acquisition of a controlling stake, equal to 82% of the capital, of TEP Energy Solution (TEP), one of the leading Italian energy service companies (Esco) active in the energy efficiency sector. The agreement was concluded on the basis of an enterprise value referred to 100% of TEP, equal to € 21 million. Price adjustments are planned based on the results for the next three years and, moreover, put and call options exercisable by 2020.

The initiative is part of the company's strategic plans to promote decarbonisation and better use of energy in the areas in which it operates.

With its offices in Rome, Milan and Udine, TEP is among the first independent industrial Esco's in Italy, with over 200 customers from among the leading national and multinational companies, 950 thousand energy efficiency certificates, and a 2017 EBITDA of approximately € 6 million. TEP's mission is to make its customers more competitive by reducing energy costs by optimising the quantities used. TEP does not and will not deal with the production or sale of electricity and gas: it intervenes to enhance its customers' investments through the production of energy efficiency certificates, and acts as an investor for the implementation of energy efficiency measures. The transaction closing is expected by September 2018 and is subject to obtaining the authorisation by the Italian Competition Authority.

Joint acquisition between Snam and Fluxys of a 33.5% stake in Interconnector UK

On 12 March 2018, Snam and Fluxys successfully acquired a 33.5% stake in Interconnector UK, formerly held by Caisse de dépôt et placement du Québec (CDPQ). Interconnector UK owns the two-way gas pipeline that connects the United Kingdom to Belgium and the rest of Europe. Through the joint ventures Gasbridge 1 BV and Gasbridge 2 BV, Fluxys and Snam decided to exercise their right of pre-emption in proportion to the share held by CDPQ. The total value of the transaction amounts to approximately GBP 75 million.

Following the finalisation of the share transfer, Fluxys and Snam became the sole shareholders of Interconnector UK, passing respectively to 76.32% and 23.68% of the capital, confirming their full support for the company in a new phase of development.

At 31 December 2017, the book value of Snam's holdings in Gasbridge 1 BV and Gasbridge 2 BV was aligned on the basis of the fair value of the transaction price.

Operating review

Technical investments

Technical investments totalling € 1,034 million (€ 906 million in 2016) referred mainly to the natural gas transportation (€ 917 million) and storage (€ 101 million) business segments.

Infrastructure development and integration

The main investments for the development of new infrastructure mainly involved work for **the reversal of physical transportation flows at interconnection points with northern Europe** (€ 249 million), the **upgrade of the transportation network from entry points in southern Italy** (€ 20 million) and the upgrade of the network and connection of new regional and national redelivery points (€ 107 million). A total of € 31 million was invested in 2017 for the **development of new storage fields and upgrading capacity**. With regard to completed works and disposals, as well as the acquisition of a 100% stake in Infrastrutture Trasporto Gas, a company that owns the pipeline connecting the Adriatic LNG regasification terminal to the national transport network at the height of Minerbio, **the network of gas pipelines in operation** saw an increase of 76 km compared to 31 December 2016) while **the installed power in the compression plants amounted to 922.2 Megawatts** (unchanged compared to 2016). Available **storage capacity** rose by 0.2 billion cubic metres, made available by the new Bordolano deposit, to a level of 12.2 billion cubic metres.

NFS Maintenance of plant security and quality

Investments in projects aimed at maintaining plant security and quality totalled € 432 million for transportation and € 70 million for storage.

Throughout the year, the plants in the network are monitored 24 hours a day. With the help of simulation and optimisation programmes, their best asset is guaranteed with the aim of reducing the consumption of gas boosting fuels and thus containing the level of emissions.

The section of lines is inspected regularly by vehicles, using helicopters and personnel on foot in order to detect potentially hazardous situations caused, for example, by the works of third parties in the area of the pipelines. Geological inspections of pipeline sections are also carried out to identify potential instabilities along their routes. Similarly, any land slippage at specific points of the route is also kept under surveillance using suitable sophisticated equipment. The integrity of the pipelines is also inspected by passing devices along them known as “smart pigs”, which can detect any faults.

In terms of storage, particular attention is paid to the safety plants and people. Regular maintenance and plant improvement interventions are performed on a continuous and targeted basis, in order to always apply the best available technologies.

Control and inspection of transportation activities

	2015	2016	2017
Network inspected using smart pigs (km)	1,315	1,660	1,632
Network inspected by helicopter (km)	16,330	16,218	16,274
Network subjected to geological inspection (km)	2,300	1,478	4,080

Interconnected transportation-storage capacity and network utilisation

The average transportation capacity provided in 2017 was 364.2 million cubic metres/day on average, which was in line with 2016 (-0.8%), while transferred capacity totalled 258.8 million cubic metres/day on average. Network saturation¹¹ was 71.0%, a decrease compared with 2016 (79.1%). The number of active transport users in 2017 was 128, compared to 136 users active in 2016. During the year, 78 connection agreements were entered into for the creation of new delivery/redelivery points, including 13 biomethane points.

Overall storage capacity, including strategic storage, was 16.7 billion cubic metres at 31 December 2017, an increase of 0.2 billion cubic metres over 2016 following the Bordolano site's gradual entry into service, of which 12.2 was available capacity that was fully transferred for the 2017-2018 thermal year (99.9%), and the remaining 4.5 billion cubic metres was for strategic storage. There were 89 active storage customers (91 in 2016).

Business volume

In 2016 a total of 74.59 billion cubic metres of gas was injected into the network, an increase of 3.95 billion cubic metres (+5.6%) compared with 2016. The increase is essentially attributable to the increased demand for gas in Italy (+4.23 billion cubic metres, +6.0%, up for the twelfth consecutive quarter) recorded in all sectors, respectively in the thermoelectric sector (+1.93 billion cubic metres, +8.2%), driven by a particularly strong summer demand, by the reduction in hydroelectric production and by the continuation of the shutdown of some French nuclear plants in the first two months of the year, industrial (+1.22 billion cubic

metres, +7.3%), and residential and tertiary (+0.62 billion cubic metres, +2.1%).

The volumes of gas moved through the storage system in 2017 totalled 19.9 billion cubic metres, a substantially in line with the volumes handled in 2016 (-0.08 billion cubic metres; equal to -0.4%). The reduction is mainly attributable to lower injections for the replenishment of storage facilities (-0.16 billion cubic metres, -1.6%), to shipper behaviour in relation to the different market conditions, partly offset by higher disbursements (+0.08 billion cubic metres, +0.8%) due to the climatic trend.

During 2017, 0.63 billion cubic metres of LNG were regasified at the Panigaglia (SP) LNG terminal (0.21 billion cubic metres in 2016; +0.42 billion cubic metres), of which 0.084 billion cubic metres within the integrated natural gas regasification and storage service¹². In 2017, 15 landfills from methane tankers were performed (5 landfills in 2016), of which 2 were landfills in the context of the aforementioned integrated service.

¹¹ Ratio of capacity transferred to available capacity.

¹² The convertible bond loan with a nominal value of € 400 million is not part of the EMTN Programme.

+3.95

billion cubic metres of gas injected into the network (+5.6%)

+6.0%

increasing gas demand for the twelfth consecutive quarter

Volumes handled in storage **in line** with the previous year

+0.42

billion cubic metres of regasified LNG

Key operating figures

In conformity with IFRS 8 “Operating segments”, the operating segments were defined on the basis of the internal reporting used by the Company’s management for allocating resources to the different segments and for analysing the respective performances.

To this end it is noted that:(i) the company Infrastrutture Trasporto Gas, which entered the scope of consolidation as of October 2017, has been consolidated within the Transportation sector; (ii) the company Snam 4 Mobility, which entered the scope of consolidation as of November

2017, has been consolidated within the Corporate and Other Activities sector.

	2015	2016	2017	Change	Change %
Natural gas transportation (a)					
Natural gas injected into the National Gas Transportation Network (billions of cubic metres) (b)	67.25	70.64	74.59	3.95	5.6
Transportation network (kilometres in use) (c)	32,534	32,508	32,584	76	0.2
Installed power in the compression stations (MW)	876.5	922.2	922.2		
Liquefied Natural Gas (LNG) regasification (a)					
LNG regasification (billions of cubic metres)	0.03	0.21	0.63	0.42	
Natural gas storage (a)					
Available storage capacity (billions of cubic metres) (d)	11.5	12.0	12.2	0.2	1.7
Natural gas moved through the storage system (billions of cubic metres)	19.58	20.00	19.92	(0.08)	(0.4)
Employees in service at period end (number) (e) (f)	3,005	2,883	2,919	36	1.2
<i>by business segment:</i>					
- Transportation	1,918	1,726	1,972	246	14.3
- Regasification	73	71	63	(8)	(11.3)
- Storage	299	301	60	(241)	(80.1)
- Corporate and other activities	715	785	824	39	5.0

(a) With reference to the 2017 financial year, gas volumes are expressed in Standard cubic metres (Smc) with an Average Calorific Value (ACV) of 38.1 MJ/Smc (10.572 Kwh/Smc) for transport and regasification and 39.4 MJ/Smc (10.930 Kwh/Smc) for the storage of natural gas for the thermal year 2017-2018 (39.3 MJ/Smc, 10.906 Kwh/Smc, for the thermal year 2016-2017).

(b) The data for 2017 was updated at 11 January 2018. The update of 2016 figures has been finalised, and the figures are consistent with those published by the Ministry of Economic Development.

(c) The figure for 2017 includes 84 Km of the network of the company Infrastrutture Trasporto Gas, fully consolidated starting from the month of October 2017.

(d) Working gas capacity for modulation, mining and balancing services, almost entirely allocated in the thermal year 2017-2018.

(e) Fully consolidated companies.

(f) The increase of 36 staff members is essentially due to the entry of 27 persons following the entry of Infrastrutture Trasporto Gas into the consolidation area starting from the month of October 2017. The movement of resources between the various companies in the Group is also affected by the adaptation of the organisational structures, initiated by Snam in November 2016, with the aim of simplifying and optimising certain processes.

NFS The number of employees in service at 31 December 2017 was n. 2,919 (n. 2,883 employees at 31 December 2016), an increase of 36 (+1.2%) over the previous year. The average number of payroll employees for entities included in the scope of consolidation at 31 December 2017 was n. 2,880 (n. 2,804 employees in 2016).

On the one side 2017 featured significant organisational changes also related to the demerger of the distribution business segment and, on the other side, the development of the employment mix, which recorded the following dynamics over the course of the year:

- 184 employees joining, of which 148 were recruited from the market, and 36 others joining, including 27 due to the change in the consolidation of the company Infrastrutture Trasporto Gas in October 2017, 1 from non-consolidated companies and 8 returning from leave;
- 148 employees left the company, including 33 as a result of the termination of employment, 36 were terminated unilaterally, 73 transfers to non-consolidated companies and 6 other departures.

With respect to the Group's national distribution, 2,204 people are employed in the northern regions of Italy, 202 in the central regions and 509 in the south. Furthermore, 4 individuals are permanently employed abroad.

NFS Industrial relations

In 2017, the relationship with the trade unions at national and local level was characterised by numerous meetings (119). The activities concerned the analysis of the business development projects and new organisational structures, following the sale of the "Plants and Technical Services" business unit from Stogit S.p.A. to Snam Rete Gas S.p.A., carried out within the Integra project which provides for the integration of the transversal activities of the operating companies in order to develop and enhance specific skills. Among the transport activities, the technical commission of the SMART GAS project continued its work on a more rational planning of the intervention agenda, with the objective of analysing the technical aspects of the project.

In the regasification area, meetings were held with the trade unions, at national and local level, aimed at sharing and comparing the issues concerning the evolution of the business.

The negotiation dynamics, consistent with the provisions of the Protocol on Industrial Relations of 17 October 2013 (based on the strengthening of second-level bargaining), have led the Parties to define the productivity and profitability indicators of the Participation Premium for 2017 for all the companies of Snam.

At the beginning of the year, the national employment contract applied in the Group was renewed.

In addition, all the companies of the Snam Group have signed the implementation agreement pursuant to Article 4 of Italian Law No. 92/2012 (the so-called "Fornero Law"), for an early exit of workers who meet the requirements set out therein.

Supply chain management

Snam adopts an 'extended' management model that, going beyond the boundaries of its company perimeter, involves and takes on the responsibility of supply chain operators (suppliers and subcontractors): everyone is encouraged to achieve increasingly sustainable performance in terms of risk mitigation, innovation of management processes, increase in operational efficiency and promotion of responsible governance procedures.

In 2016 Snam directly provided work for around 574 companies, 416 of which belong to the small-medium business sector (SME), concluding over 800 procurement contracts worth a total of approximately € 844 million. Among the goods purchased the most important material is steel (piping, connectors, etc.) which, in 2017, amounted to a supply of approximately 14,300 tonnes.

The change in the amount of procurement over the previous year must take into account the cyclical nature of the procurement process, in particular the fact that the 2017 purchase plan was also covered by multi-year contracts already stipulated in previous years. More than 92% of the procurement

concerns national companies (distributed in all Italian regions in line with the territorial belonging of each company), and about 7% concern Europe.

In order to guarantee the adequacy of the supply chain with respect to the supply requirements, in 2017 Snam conducted an intense market intelligence activity on about thirty different product categories connected to the core business and new activities (construction of new natural gas compression and storage stations for motor vehicles). The number of spontaneous applications received by aspiring suppliers was around 1,900.

At 31 December, the vendor list included 1,612 qualified suppliers, and 403 suppliers were in the process of being renewed or obtaining new qualifications. Snam exercises control of its supply chain by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the year, 854 feedback reports were collected on the services rendered by 156 suppliers. Additionally, 1,647 suppliers and sub-contractors were checked with regard to the regularity of contributions, through 3,739 inspections which led to the

interception of 3% of irregularities. With regard to the fight against corruption, all suppliers and subcontractors are required to accept the Integrity Ethics Pact and are subject to reputational checks. A total of 1,810 reputational checks were performed in 2017.

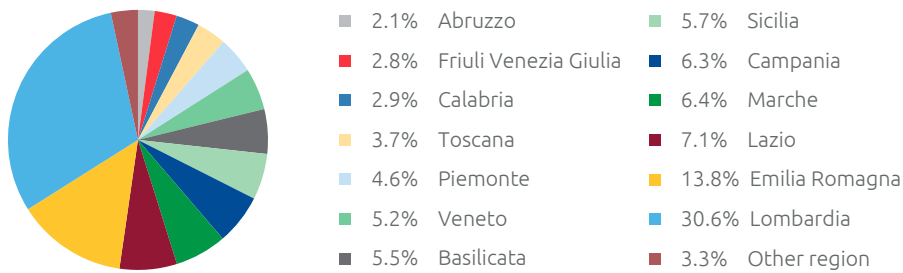
In the procurement of works, which is the most important category because it is related to core activities, the suppliers considered critical (critical levels A and B) were all in possession of quality and environment management systems certified with ISO 9001, ISO 14001 and ISO 18001 standards. In 2017 an objective was set to have at least 65% of the suppliers of goods (critical level A) who possess environmental management systems certified according to ISO 14001.

Procurement (millions of €)

	2015	2016	2017	2015-2017
Procured value	1,266	1,359	844	3,469

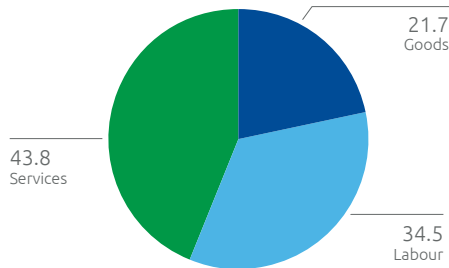
Procurement by region and merchandise category (*)

Geographical breakdown procurement in Italy (%)

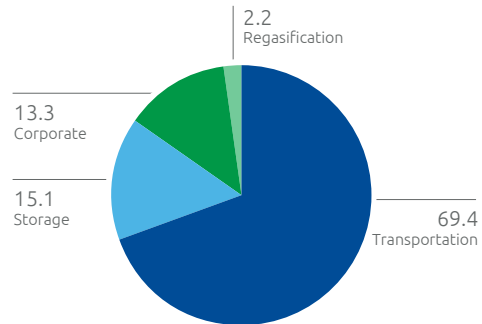


(*) Representation of the geographical distribution refers to the registered offices of suppliers.

Procurement by product category (%)



Breakdown of procurement by business segment (%)



Accidents

Snam is constantly committed to developing and promoting the protection of health and safety in the workplace. Research and adoption of good business practices are the subject of progressive promotion not only in the corporate area but also towards suppliers, with the aim of extending and improving collaboration on achieving the best performances.

In 2017 there were a total of 11 accidents (9 in 2016), of which 6 occurred to employees (4 in 2016) and 5 to contracting suppliers (5 in 2016); unfortunately, one accident had a fatal outcome.

Accidents at work (no.)

	2015	2016	2017
Total employee accidents	3	4	6
Total contract worker accidents	8	5	5

Accident indices

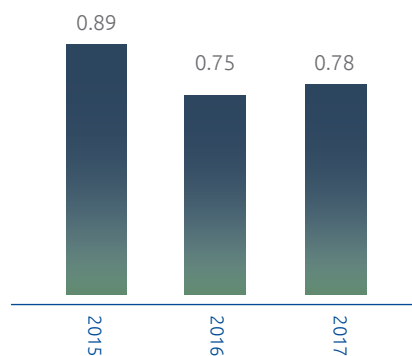
	2015	2016	2017
Employees and contract workers			
Frequency index	0.89	0.75	0.78
Severity index	0.66	0.05	0.56
Employees			
Frequency index	0.62	0.81	1.24
Severity index	1.55	0.04	0.05
Contract workers			
Frequency index	1.07	0.71	0.54
Severity index	0.07	0.05	0.83

Frequency index: number of accidents at work resulting in absence of at least one day, per million hours worked.

Severity index: number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

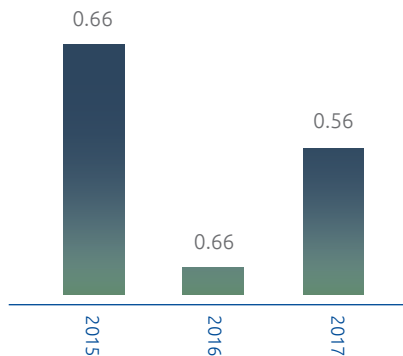
Employee and contract worker accident graphs

Employee and Contractor accidents at work - frequency index (*)



(*) number of non-commuting accidents with incapacity of at least one day, per million hours worked.

Employee and contractor accidents at work - severity index (**)



(**) number of working days lost in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked. Date do not include fatal accidents.

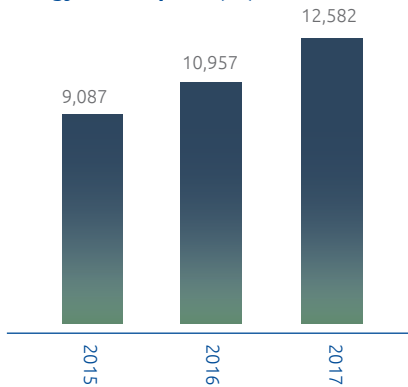
Energy consumption

Snam's main energy consumption is attributable to gas turbines used in compression plants that provide the pressure needed to transport gas (boost consumption) and storage concessions (storage consumption), which globally represent 88% of total consumption.

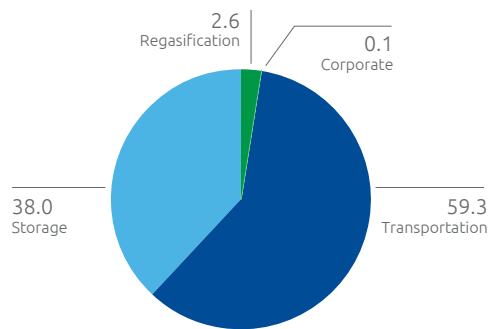
In 2017 energy consumption totalled around 12,582 terajoules (TJ), an increase of +14.8% over 2016. This increase is mainly due to the greater quantity of gas injected into the network (+5.6% compared to 2016) and to a different structure of the network for gas calculation management, from daily to hourly. Natural gas accounted for 96.6% of the energy needs. Other sources used are electricity (2.7%) and other fuels (diesel fuel, gasoline, LPG and heat), which together are equivalent to 0.7%.

Energy consumption data

Energy consumption (TJ)



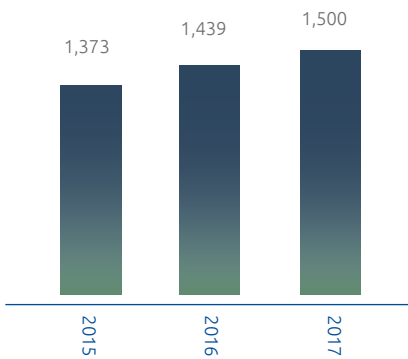
Energy Consumption by activity (%)



Greenhouse gas emissions

Direct emissions of CO_{2eq} – Scope 1 (10³ t) (*)

Total direct GHG emissions scope 1 (kt CO_{2eq})



(*) In 2015, CO_{2eq} emissions were calculated based on a methane GWP of 28, as indicated in the scientific study carried out by the Intergovernmental Panel on Climate Change (IPCC), "Fifth Assessment Report IPCC". Assessment Report IPCC".

In 2016 direct CO_{2eq} emissions were equal to approximately 1.50 million tonnes (+4.3% compared to 2016). Direct CO₂ emissions from combustion were equal to approximately 0.69 million tonnes (+14.4% compared to 2016), while CO_{2eq} emissions from methane stood at approximately 0.81 million tonnes. In 2017, methane emissions per kilometre of transport network were reduced by 1.5% compared to 2016.

1 January 2013 was the start of the third regulatory period (2013-2020) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Italian Legislative Decree 30 of 13 March 2013, as amended, and transposing Directive 2009/29/EC.

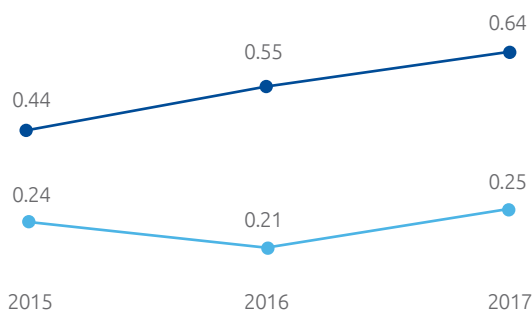
In 2017, the Snam Group's total CO₂ emissions from ETS plants, certified by an accredited body according to the provisions of the competent national authority, amounted to approximately 0.64 million tonnes, out of total annual allowances of approximately 0.252 million issued by the Ministry for the Environment, Land and Sea (negative balance of 0.39 million allowances). This deficit is offset by the allowances already present in the registers for Snam Group plants, accumulated thanks to the surplus from previous years.

Snam Emission Trading Plants

Business	Number of plants	Name of plants
Transportation	11	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini
Storage	8	Storage gas compression stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Bordolano
Regasification	1	Liquefied natural gas plant in Panigaglia

CO₂ emissions from ETS plants

CO₂ emissions ETS plants (10⁶ t)



—●— Certified emissions —●— Shares

Snam and the financial markets

In 2017, European equity markets showed a positive trend (STOXX Europe 600 index +7.7%), linked to the Eurozone's economic recovery despite the high level of political instability.

This instability led to volatility in price lists during the year, linked to some factors including the elections in France, which required two rounds before seeing the affirmation of the pro-European candidate, and in England, where no party successfully obtained an absolute majority of seats. A further element of instability derives from the negotiations between London and Brussels to establish the strategies on trade agreements that will have to regulate relations between the EU and the United Kingdom after Brexit.

The utilities sector closed 2017 with +5.5% (Stoxx Europe 600 Utilities), negatively impacted by the prospects for an increase in interest rates.

In Italy, the FTSE Mib index was +13.6%, driven by good results in the industrial sector, led by the manufacturing and mechanical sectors (the main supplier of goods needed for the 4.0-based renewal), and by the expansionary policies of the ECB from which the banking sector has particularly benefited.

Snam Share Performance

The Snam share price ended 2017 at an official price of € 4.086, up 4.2% from the € 3.923 recorded at the end of the previous year.

The stock showed an upward trend in the first few months of the year, with a slight decline at the end of the first half. The uncertainty linked to both the Italian political situation and to the UK elections, with the start of Brexit negotiations, weighed heavily.

In the second half of the year there was a reversal of the trend and the stock reached its maximum on 7 November (€ 4.486 per share). Both the results of the first six months of the year and a clear regulatory framework with medium to long-term visibility supported the positive performance.

In line with the strategic plan, the company has continued its investment activity in Italy with the aim of improving the competitiveness and security of gas supplies, which is central to the energy transition to a low-emissions economy, and the country's commitment to guaranteeing profitable growth to shareholders.

SNAM - Comparison of prices of Snam, FTSE MIB and STOXX Europe 600 Utilities (01 January 2017 - 31 December 2017)



Snam Shareholding at 31 December 2017

CONSOLIDATED COMPANY	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A.(a)	(b) 30.10
	Romano Minozzi	5.75
	Snam S.p.A.	2.45
	Other shareholders	61.70
		100.00

(a) CDP S.p.A. owns 59.10% of CDP Reti S.p.A.

(b) On 19 May 2017, CDP S.p.A. sold CDP Reti SpA the entire investment held in Snam S.p.A. represented by 39,200,638 shares, equal to 1.12% of the share capital. At 31 December 2017, CDP Reti S.p.A. holds a stake in Snam S.p.A. represented by a total of 1,053,692,127 shares, equal to 30.10% of the share capital.

Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At year end, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 30.10% of share capital, Snam S.p.A. held 2.45% in the form of

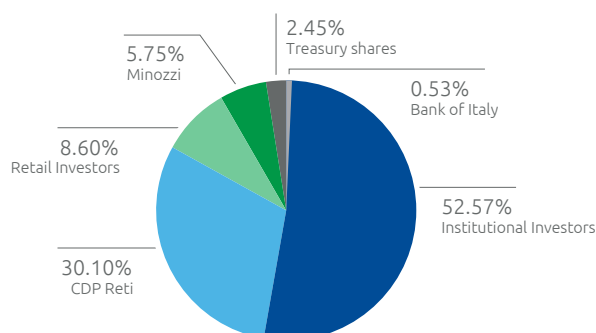
treasury shares, and the remaining 67.45% was in the hands of other shareholders.

The share capital as at 31 December 2017 consisted of 3,500,638,294 shares with no indication of nominal value (unchanged from 31 December 2016), with a total value of € 2,735,670,475.56 (equal at 31 December 2016).

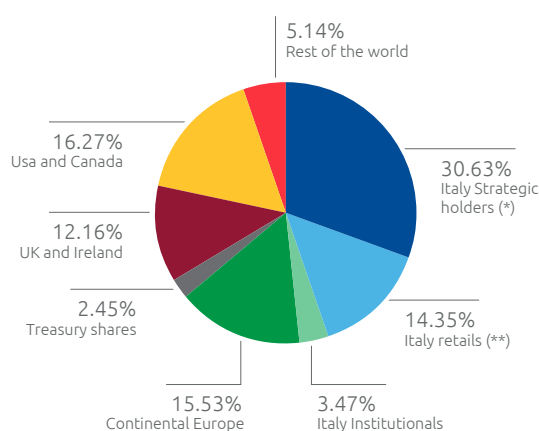
As at 31 December 2017, Snam held 85,915,616 treasury shares

(29,905,180 as at 31 December 2016), equal to 2.45% of its share capital, with a book value of about € 318 million (0.85% for a book value equal to € 108 million as at 31 December 2016). The purchase, in the 2017 financial year, of 56,010,436 Snam shares (representing 1.6% of the share capital) at a total cost of € 210 million, was carried out pursuant to the share buyback programme deliberated by the Shareholders' Meeting of 11 April 2017¹³.

Snam shareholder structure



Snam shareholders by geographic area



(*) Italian Strategic Investors include Bank of Italy and CDP Reti.

(**) Italian Retail Investors include the shares held by Romano Minozzi (5.75%).

¹³ For more information on the characteristics of the programme, please refer to the "Main events" section of this Report.

Relations with the financial community and investor relations policy

Snam’s communications policy has always focused on an ongoing dialogue with the entire financial community. The Company’s goal is to establish a relationship of trust with shareholders, investors, analysts and all financial market operators, and to provide them with regular, complete and prompt information to ensure an excellent understanding of the Group’s performance and strategy.

An active policy of engaging investors, supported by clear and transparent communications, contributes to the enhancement of the Company’s reputation, and Snam considers this a strategic factor in creating value in terms of shareholder satisfaction, understanding their expectations concerning Corporate Governance and enhancing the knowledge of all stakeholders who are called upon to make decisions that impact the Company.

This communications policy takes the form of many economic and financial publications concerning business performance and sustainability developments, in addition to ongoing meetings and events, which throughout 2017 included the following:

- Presentation of the 2017-2021 strategic plan in London;
- conference calls upon the publication of the Company’s results (annual, semi-annual and quarterly) and a presentation of the Business Plan;
- Roadshows to meet shareholders and institutional investors in the major financial centres of Europe, North America, the Middle East and Asia;
- Industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet the Company’s senior management;
- One-to-one and group meetings between the company and the investors;
- Proxy Engagement activity;
- Sustainability Conference.

Inclusion of Snam stock in sustainability indices

In 2017, for the ninth consecutive year, Snam stock was again included by **RobecoSAM** in the **Dow Jones Sustainability World Index**, the main international equity index formed on the basis of the performance of companies in the area of economic, social and environmental sustainability.

In January 2018, for the fourth consecutive year, RobecoSAM placed Snam in the **Silver Class** of the Sustainability Yearbook 2018, a distinguished group of companies, which in the industrial sector concerned includes companies with a high score in terms of sustainability.

Reconfirmation also took the form of inclusion in the prestigious **FTSE4Good** index, which the Company has been in since 2002.

Snam was also included for the fifth consecutive year among the highest scorers of **CDP**.

The Company was also included in the A List, the highest score of the CDP evaluation model, which in 2017 was only awarded to 112 companies globally.



Snam stock is also included in the following sustainability indices:

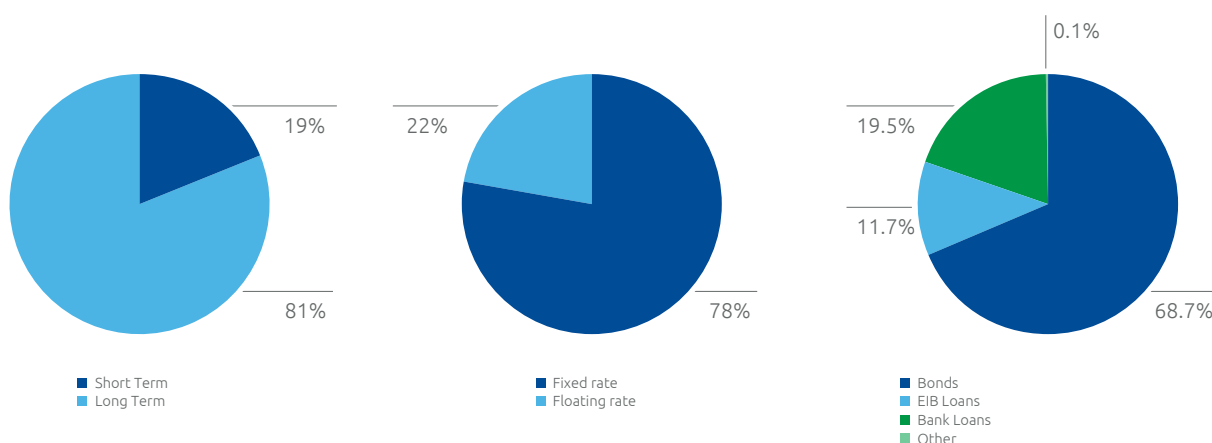


Debt management and credit rating

At 31 December 2017, the Group's net financial position was € 11,550 million, resulting from a financial debt of € 12,619 million and liquid assets of € 1,069 million (including short-term financial receivables). Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure. In October 2017, Snam successfully completed a buyback on the market of bonds with a total nominal value of € 607 million, with an average coupon of approximately 2.5% and a remaining maturity of approximately 4.4 years. The repurchase price totaling € 656 million was largely financed through a new fixed rate bond issue, expiring on 25 October

2027, for a total amount of € 650 million, with a coupon equal to 1.375% and a duration of ten years. In addition, Snam has also signed a contract with the EIB for the financing of projects promoted by Snam Rete Gas, for € 310 million, with a fixed rate of about 1.5% and maturing in 2037. Loans with the EIB fall under the Group's policy to optimise its financial structure since they complement bonds and bank loans and have longer terms (up to 20 years) and competitive costs. These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs in 2018.

At 31 December 2017, Snam has unused committed long-term credit facilities for an amount of approximately € 3.2 billion. During the year, as part of the process to optimise the financial structure of Group, their duration was extended with a simultaneous reduction in margins. Following the renegotiation, the two syndicated lines, amounting to € 2.0 billion and € 1.2 billion, will expire in 2021 and 2022, with an extension of two years and one and a half years respectively with respect to the previous duration. In addition, on the same date, Snam has a € Medium Term Notes (EMTN) programme for a total maximum nominal value of € 10 billion, of which around € 8.2 billion¹⁴ are being used¹⁵.



14 On 6 October 2017, the Board of Directors of Snam resolved to renew the EMTN programme for a maximum value of € 10 billion. The renewal of the programme allows for the issue, by 6 October 2018, of bonds worth up to € 1.8 billion, to be placed with institutional investors.

15 It should be noted that the convertible bond issued in March 2017, for a value of € 400 million, is not part of the EMTN programme.

At the same time, the communication activity continued with the rating agencies Moody's, Fitch and Standard & Poor's, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody's (Baa1 with negative outlook), Fitch (BBB + with stable outlook), and Standard & Poor's (BBB + with stable outlook) following the upgrade of a

notch on 30th October. The upgrade is the result of a similar improvement by a notch of the Italian Republic's rating. Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt.

MOODY'S	STANDARD & POOR'S	FitchRatings
LAST UPDATING	LAST UPDATING	LAST UPDATING
22 september 2017	8 november 2017	12 october 2017
▼	▼	▼
RATING ON DEBT A LONG TERM	RATING ON DEBT A LONG TERM	RATING ON DEBT A LONG TERM
Baa1	BBB+	BBB+
▼	▼	▼
RATING ON DEBT A SHORT TERM	RATING ON DEBT A SHORT TERM	RATING ON DEBT A SHORT TERM
Not assigned	A-2	F2
▼	▼	▼
OUTLOOK	OUTLOOK	OUTLOOK
Negative	Stable	Stable