Annex 1

Demerger Plan and relevant annexes recorded in the Milan Companies Register on 1 July 2016

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DEMERGER PLAN OF THE

PARTIAL AND PROPORTIONAL DEMERGER OF

SNAM S.P.A.

TO

ITG HOLDING S.P.A.

PURSUANT TO ARTICLES 2506-*BIS* AND 2501-*TER* OF THE CIVIL CODE

Snam S.p.A. – *Registered office*: Piazza Santa Barbara 7, San Donato Milanese (MI)
Share capital: €3,696,851,994.00 – *Milan Companies Register No*: 13271390158

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1. INTRODUCTION

The Boards of Directors of (i) Snam S.p.A. ("**Snam**" or the "**Demerged Company**"), a company admitted to trading on the Mercato Telematico Azionario ("**MTA**"), organised and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"), and (ii) ITG Holding S.p.A. ("**ITG Holding**" or the "**Beneficiary Company**"), whose share capital at the date of this Demerger Plan (as defined below) is wholly owned by Snam, drew up and prepared the following partial and proportional demerger plan pursuant to Articles 2506-*bis* and 2501-*ter* of the Civil Code (the "**Demerger Plan**").

The industrial and corporate reorganization involves the separation of Italgas S.p.A. ("**Italgas**") from Snam (the "**Transaction**"). The Transaction will be executed in a unitary and substantially simultaneous manner through the Transfer (as defined below), Sale (as defined below) and Demerger (as defined below).

Through the Transaction, the entire equity investment held at the date of this Demerger Plan by Snam in Italgas, equal to 100% of the share capital of Italgas, will be transferred to ITG Holding.

Specifically, the Transaction, which will occur in a unitary and substantially simultaneous manner, involves:

a) the transfer in kind by Snam to ITG Holding of a stake equal to 8.23% of the share capital of Italgas (the "**Transfer**"), in exchange for the allocation to Snam of 108,957,843 newly issued shares of ITG Holding, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);

b) the sale by Snam to ITG Holding of 98,054,833 shares of Italgas, equal to 38.87% of the share capital of Italgas (the "**Sale**"), for a price of €1,503 million, to be paid through a *vendor loan* on the part of the Beneficiary Company, enhancing part of its stake in Italgas and generating an adequate level of financial debt for the Beneficiary Company, taking into account the Beneficiary Company's activity, risk and cash flow generation profile; and

c) the partial and proportional demerger of Snam (the "**Demerger**"), with the allocation to ITG Holding of a stake equal to 52.90% held by the Demerged Company in Italgas (the "**Demerged Assets and Liabilities**"), and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company's share capital.

In order to support the Transaction-related decisions of the Boards of Directors of the companies participating in the Demerger, Snam has appointed Colombo & Associati S.r.l. (the "**Expert**"), in its capacity as a proven expert operating independently from the Company, ITG Holding and the respective shareholders capable of exercising significant control over said companies, to write:

(i) (sworn) reports on the value of Snam's equity investment in Italgas (including the stakes in investee companies) in order to comply with applicable regulations, particularly, based on the structure of the Transaction, Article 2343-*ter*, paragraph 2 of the Civil Code with regard to the Transfer and Article 2343-*bis*, paragraph 2 of the

Civil Code with regard to purchases by the company from promoters, founders, shareholders and directors; and

(ii) a report, requested by Snam on a voluntary basis, with the aim of estimating the actual value of the net asset allocated to the Beneficiary Company following the Demerger.

The adequacy of the Transfer and Sale values and the value of net assets transferred to the Beneficiary Company as part of the Demerger transaction have been confirmed by the appraisals referred to under sections (i) and (ii).

For the purpose of the transaction, the Group ITG Holding shall be required:

(i) to repay existing *intercompany* loans with the Demerged Company; and

(ii) to pay the Demerged Company the price resulting from the Sale through the repayment of the *vendor loan*.

These debts shall be repaid by ITG Holding through:

(i) the use of lines of credit in relation to which, on 28 June 2016, major banks and funding institutions have already signed certain binding agreements (except as indicated in the paragraph below), for a total of €3.9 billion, which contain the main terms and conditions of the loan to the Beneficiary Company which will be available as at the effective date of the Demerger;

(ii) following the accession of the European Investment Bank, the finalisation of a discharge of contractual debts for Snam, effective from the effective date of the Demerger, of two loans granted to the Demerged Company by the European Investment Bank, totalling €424 million, intended to fund Italgas projects.

All of the aforementioned commitments made by the lending institutions are subject, on the one hand, to the same suspensive conditions of the Transaction referred to in paragraph 7 and, on the other hand, to further conditions typical for transactions of this type, such as the absence of malfunctions or severe deterioration of the markets.

As stipulated in the memorandum of understanding dated 28 June 2016 between Snam, CDP Reti S.p.A. ("**CDP Reti**") and CDP Gas S.r.l. ("**CDP Gas**") (the "**Memorandum of Understanding**"), the entire Transaction also provides that Snam, CDP Reti and CDP Gas enter into a shareholders' agreement (the "**Shareholders' Agreement**") relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of ITG Holding upon the outcome of the Transaction. The Shareholders' Agreement shall have a term of three years and shall be renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of *governance* which, following the implementation of the Transaction, shall apply to ITG Holding and Italgas.

This is primarily a business Transaction aimed at separating the Snam Group's Italian gas distribution activities (carried out by Italgas Group) from its gas transportation and

dispatching, regasification and storage activities in Italy and abroad. Within this context, the structure of the Transaction in its three stages mentioned above (i.e. Transfer, Sale and Demerger, which will be completed simultaneously) will ensure, as already indicated, fulfilment of the twin aims of (i) providing Snam with a post-Demerger stake of 13.50% in the Beneficiary Company (derived almost completely from the Transfer), and (ii) enhancing part of its stake in Italgas by giving, at the same time, the Beneficiary Company a sufficient level of financial debt in view of its business, risk and cash flow generation profiles (via the Sale).

The reason for the Transaction is the belief that the gas distribution activities (which are the subject of the Demerger) present very specific characteristics that are different from the rest of the Snam Group activities in terms of operational structure, competitive environment, regulations and investment needs.

Distribution is primarily a local business awarded on a fixed-term concession basis by local and regional authorities and carried out using mainly metropolitan low-pressure pipeline networks that transport the gas to the redelivery points of end customers. The distribution business is also more labour intensive than the Snam Group's other businesses, requires frequent interaction with local authorities and is based on continual small-scale investment.

Despite being based on the same principles of reference as the Snam Group's other regulated activities, the regulatory framework for distribution presents a series of its own peculiarities in terms of the way in which operating costs are recognised on a parametric basis because of the hugely fragmented nature of the market, in which there are many competitors.

From an operational perspective, Italgas is preparing for a journey that will be characterized over the next few years by local tender processes for concessions, which are expected to result in a more concentrated market with an opportunity for economies of scale and operating synergies.

Two distinct groups will emerge from the Demerger, each focused on its own business and with clearly identified, market-visible objectives. Both groups should have the autonomy required to best capitalise on strategic growth opportunities and a well-defined operational profile that will allow them to fulfill their potential.

As a result of the Demerger, each Snam shareholder will hold, in place of shares of Snam, two separate equity securities representing the different areas of business in which Snam is engaged at the date of this Demerger Plan. Specifically, these areas are: natural gas transportation, dispatching, regasification and storage (Snam share), and natural gas distribution (ITG Holding share).

In addition to the conditions of law, including, in particular, the favourable vote of Snam's Shareholders' Meeting, the effectiveness of the Transaction is subject to:

(i) the issuance of the Borsa Italiana order admitting shares in the Beneficiary Company to trading on the MTA;

(ii) the issuance of the judgement of equivalence by the Italian Securities and Exchange Commission ("**Consob**"), pursuant to Article 57, paragraph 1, letter d) of the Regulations approved by Consob by Resolution 11971 of 14 May 1999, as amended

(the "**Issuer Regulations**"), in relation to the information document prepared pursuant to Article 70 of the Issuer Regulations (the "**Information Document**"), supplemented pursuant to said Article 57 of the Issuer Regulations; and

(iii) the approval of the Transaction by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares in the Beneficiary Company will be admitted to trading on the MTA.

The schedule of the Transaction provides that, subject to the fulfilment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

In addition, the deeds relating to the Transaction will be mutually conditional, so as to ensure that the the individual steps into which the Transaction is divided occur in a unitary and substantially simultaneous manner.

Following the Demerger, Snam shares will continue to be listed on the MTA.

At the date of this Demerger Plan, the Beneficiary Company does not foresee requesting the admission to trading of its shares on other markets.

2. TYPE, NAME AND REGISTERED OFFICE OF THE COMPANIES PARTICIPATING IN THE DEMERGER

2.1 Demerged Company

Snam S.p.A., with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and Milan Companies Register No: 13271390158.

At the date of this Demerger Plan, the fully subscribed and paid-up share capital of Snam was €3,696,851,994.00, comprising 3,500,638,294 ordinary shares with no par value.

Shares of Snam are admitted to trading on the MTA.

2.2 Beneficiary Company

ITG Holding S.p.A., incorporated on 1 June 2016, with registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and registration number in the Milan Business Registry: 09540420966. The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

At the date of this Demerger Plan, the fully subscribed and paid-up share capital of ITG Holding was €50,000, comprising 50,000 ordinary shares with no par value.

Subject to the issuance of the necessary authorisations, the shares of ITG Holding will be admitted to trading on the MTA.

3. BYLAWS OF THE DEMERGED COMPANY AND THE BENEFICIARY COMPANY

3.1 Bylaws of the Demerged Company

The bylaws of the Demerged Company will not be amended, except for amendments that will be made to Article 5 in order to reflect the reduction in the share capital of the Demerged Company on completion of the Demerger.

Article 5 – Share capital

The current text of Article 5, paragraph 1 reads as follows: "*The share capital is €3,696,851,994.00 (three billion six hundred and ninety-six million eight hundred and fifty-one thousand nine hundred and ninety-four), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value*".

As a result of the Demerger, the share capital of the Demerged Company will be reduced by €961,181,518.44 to €2,735,670,475.56.

Following the Demerger, Article 5.1 of the bylaws of the Demerged Company will read as follows: "*The share capital is €2,735,670,475.56 (two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point five six), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty eight thousand two hundred and ninety four) shares with no par value*".

The bylaws of Post-Demerger Snam are attached to this Demerger Plan as Annex A and are an integral and substantive part thereof.

3.2 Bylaws of the Beneficiary Company

The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

Therefore, the Beneficiary Company's Shareholders' Meeting convened to approve the Demerger will also be asked to resolve upon adopting, effective from the date of filing the request for admission to trading with Borsa Italiana, bylaws that comply with the provisions for listed companies in the Consolidated Finance Act and the relevant implementing regulations.

These bylaws, which are attached to the Demerger Plan as Annex B, will be broadly in line with those governing Post-Demerger Snam, except for what is described below, and, notwithstanding that the Beneficiary Company's shares will give their holders the same rights as those granted by shares in the Demerged Company.

Article 2 of the bylaws of ITG Holding will be amended slightly compared to Article 2 of Snam's bylaws in order to promptly bring the corporate purpose of the Beneficiary Company

in line with the business it will perform after the Demerger. Therefore, the Beneficiary Company's corporate purpose will be to exercise, directly and/or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated gas sector activities, and in particular the distribution and metering of all kinds of gas in all its applications. The Beneficiary Company will also be able to perform any other economic activity fundamentally or tangentially connected or linked to one or more of the above-mentioned activities, (and, therefore, by way of example and within the limits established by the sector regulations in force at the time, all activities included in the gas supply chain and hydrocarbons in general), as well as any activity that can be performed using the same infrastructure as said aforementioned activities.

In addition, in line with the change to the corporate purpose, authorisation by the shareholders will no longer be required to approve decisions concerning the sale, transfer, leasing, usufruct or any other act of disposal, including by way of a joint venture, or restrictions on the disposal of the company or strategic business units involved in activities relating to the transportation and dispatching of gas.

Article 12.3 of the Snam's bylaws, which requires a qualified majority to approve resolutions of the Extraordinary Shareholders' Meeting, will also be eliminated.

In addition, Article 5 of the bylaws of ITG Holding will be amended to reflect the share capital increase (i) totalling €40,000,000.00 as a result of the Transfer, and (ii) totalling €961,181,518.44 as a result of the Beneficiary Company being allocated the Demerged Assets and Liabilities. The share capital of the Beneficiary Company will therefore total €1,001,231,518.44, comprising 809,135,502 shares with no par value, of which 699,902,209 will be awarded to Snam shareholders as a result of the Demerger (an additional 225,450 shares will be awarded to Snam in exchange for the treasury shares held by Snam).

As such, following the Demerger, the new Article 5 of the bylaws of the Beneficiary Company will read as follows: "*The share capital is €1,001,231,518.44 (one billion one million two hundred and thirty-one thousand five hundred and eighteen point forty-four), divided into 809,135,502 (eight hundred and nine million one hundred and thirty-five thousand five hundred and two) shares with no par value*".

Lastly, Article 13 of the bylaws of ITG Holding, relating to the appointment of the Board of Directors of the Beneficiary Company, will be amended to provide a mechanism whereby nine members are appointed based on lists. Seven directors are taken from the first list according to number of votes and two directors are taken from the minority lists using a proportional mechanism (quotient). This mechanism shall apply starting from the renewal of the Board of Directors of ITG Holding, *i.e*. after two years from the first appointment of the Board of Directors of the Beneficiary Company.

Right of withdrawal

The Demerger requires the shares of the Beneficiary Company to be admitted to trading on the MTA in order to ensure their liquidity. The Demerger is subject, *inter alia*, to the Beneficiary Company's shares being admitted to trading on the MTA. As such, the conditions are not in place for Snam's shareholders to exercise the right of withdrawal set out in Article 2437-*quinquies* of the Civil Code.

Nor are the conditions in place for the exercise of the right of withdrawal pursuant to Article 2437 of the Civil Code. Paragraph 1, letter a) of said article states that following the Demerger, the corporate purpose of the Demerged Company will remain unchanged and the Beneficiary Company will adopt a corporate purpose aligned with that of the Demerged Company.

4. ASSETS AND LIABILITIES TO BE DEMERGED

4.1 Type of demerger and reference statements of financial position

Under the terms of the Demerger, the Beneficiary Company (a pre-existing company whose share capital is wholly owned by Snam at the date of this Demerger Plan) will be allocated the assets and liabilities described in the section "Assets and liabilities allocated to the Beneficiary Company" below.

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the number of shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company for every five Snam shares held. After the allocation, Snam's shareholders will hold a total share of 86.50% of the share capital of the Beneficiary Company.

Pursuant to and for the purposes of the combined provisions of Articles 2506-*ter* and 2501-*quater* of the Civil Code, the Beneficiary Company's statement of financial position at the date of its incorporation (1 June 2016) was drawn up, and was approved by the Board of Directors of ITG Holding.

Availing itself of the option available under said Article 2501-*quater* of the Civil Code, the Demerged Company has used the financial statements for the year ended 31 December 2015, approved by the Ordinary Shareholders' Meeting of the Demerged Company on 27 April 2016 (the "**2015 Financial Statements**").

The 2015 Financial Statements were made available to the shareholders and the public on 5 April 2016, in accordance with the methods described by law.

Compared with the 2015 Financial Statement, on 21 June 2016, the Board of Directors of Italgas proposed to the Italgas Shareholders' Meeting, held on 18 July, to distribute a dividend to Snam (sole shareholder of Italgas itself) equal to € 274,563,390.96. It is expected that Italgas shall pay this dividend prior to the date of effect of the Demerger.

Since this is a partial and proportional demerger of a company whose share capital is, at the date of this Demerger Plan, and will remain up to the effective date of the Demerger, wholly owned by the Demerged Company, the Demerger in no way entails a change in the value of the equity investments held by the shareholders of the Demerged Company, and therefore – partly based on the opinion expressed by the Milan Council of Notaries in Regulation No 23 of 18 March 2004, prepared by its own Companies Committee – the conditions remain in place for the exemption, set out in Article 2506-*ter*, paragraph 3 of the Civil Code, from the need to write the expert report mentioned in Article 2501-*sexies* of said Code.

4.2 Assets and liabilities allocated to the Beneficiary Company

As a result of the Demerger, the Demerged Company will assign to the Beneficiary Company an equity investment of 52.90% of the share capital of Italgas. In accordance with the principle of continuity of accounting values, the allocation will take place at its carrying value, which is €1,569,211,964.76, corresponding to 52.90% of the total cost of €2,966,473,384.94.

Company name	Registered office	Share capital in euros	% stake held by Snam	Shares held	REA No	Snam book value in euros as at 31 December 2015
Italgas S.p.A.	Turin	252,263,314.00	100	252,263,314	Turin No 1082	2,966,473,384.94

No other asset or liability item of the Demerged Company, other than those expressly mentioned, will be awarded. The value of the net asset awarded is therefore €1,569,211,964.76.

Ostiense Property Complex

In this regard, together with the Demerger, Snam's rights and obligations in relation to the property complex in Roma Ostiense (the "**Property Complex**"), will be transferred to the Beneficiary Company as a resultof specific contractual arrangements entered into during the sale by Eni S.p.A. ("**Eni**") of 100% of its share capital in Italgas to Snam, which occurred in 2009 (as summarised below).

On 12 February 2009, Snam (then Snam Rete Gas, now Snam) and Eni signed a sale and purchase agreement (the "**Sale and Purchase Agreement**") for the purchase by Snam of 100% of the share capital of Italgas, the proprietary company of, *inter alia*, the Property Complex, consisting of land and overlying buildings, located in Rome, Ostiense area.

On 30 June 2009, the parties signed a private deed to implement the Sale and Purchase Agreement.

The Sale and Purchase Agreement, as integrated by the following agreements entered into by the parties, provides, in particular, for a commitment by Eni to purchase, from Italgas, the Property Complex and Eni's right to receive, from Snam, by way of adjustment of the price of Italgas shares and together with the sale of the Property Complex, an amount equal to the difference between the appraised value of the Property Complex and its RAB value as at 31 December 2007, after the deduction of fiscal charges and the duly documented ancillary costs associated with the sale of the Property Complex to Eni. In relation to the environmental costs, the Italgas' shares price adjustment mechanism will include the difference between the appraised value of those costs and the cost accounted for in the provisions for the environmental risks relating to the Property Complex in Italgas financial statements as at 31 December 2008.

In the event of failure to complete the sale and purchase of the Property Complex, and by virtue of the provisions in the Italgas Sale and Purchase Agreement, Snam has the right to be indemnified by Eni for environmental liabilities in excess of the amount recorded in the Italgas financial statements as at 31 December 2008 and for the related events that occurred prior to 30 June 2009 (the date of transfer of Italgas shares from Eni to Snam). It is also expected that Eni shall reimburse Snam for any environmental liabilities incurred and documented by Italgas after 31 December 2008, net of the corresponding tax effect.

In execution of the aforementioned agreements, on 24 October 2012 Snam and Eni signed a further agreement under which they agreed to make their respective subsidiaries, Italgas and Eniservizi S.p.A. ("**Eniservizi**"), sign a sale and purchase agreement relating to the Property Complex, preceded by a preliminary agreement.

On 8 April 2014, Eniservizi and Italgas signed the preliminary agreement for the sale of the Property Complex for €21,972,391.00, which was established as a fixed, unchangeable amount, regardless of the actual extent of remediation that will be necessary on the site. Consistent with the applicable accounting principles, the fund relating to the reclamation costs for the Property Complex was not adequate.

With respect to the business activity carried out by Italgas and by its subsidiaries, in addition to what has already been reported, the following should be noted.

The natural gas distribution service is based on concessions currently awarded by the individual municipalities in which Italgas operates. The distribution service consists of carrying gas through local pipelines from transportation network connection points to points for redelivery to end-users (domestic or industrial customers). The service is carried out on behalf of companies authorised to market gas.

Based on information provided to the Electricity, Gas and Water Authority (the "**AEEGSI**"), in 2014, approximately 230 companies distributed natural gas in approximately 7,100 municipalities in Italy, to approximately 23 million customers.

Italgas, along with its subsidiaries Napoletanagas S.p.A. ("**Napoletanagas**") and ACAM Gas S.p.A. ("**ACAM Gas**"), manages a distribution network of approximately 57,000 km and has a gas distribution concession in 1,472 municipalities, of which 1,401 are operational, with 6.526 million active meters at Redelivery Points ("**RPs**") for end-users.

The Italgas Group is Italy's leading distributor of natural gas in urban areas in terms of number of RPs.

Italgas also has non-controlling interests in other natural gas distribution companies, for which it acts as the primary industrial shareholder. These companies, which are not consolidated by Italgas, are mentioned below.

The values shown below are taken from the respective financial statements, drafted in accordance with the provisions of the Civil Code (and Legislative Decree 127/1991 in the case of consolidated financial statements) and the accounting principles drawn up by the National Board of Certified Public Accountants and Bookkeepers and by the Italian Accounting Organisation ("**OIC**").

- **Toscana Energia S.p.A. (48.08%)**

  Toscana Energia S.p.A. ("**Toscana Energia**") is 51.25% owned by public bodies, including a 20.6% stake held by the municipality of Florence, and 0.67% owned by private shareholders.

Toscana Energia performs the distribution service in 104 municipalities across Tuscany, with around 790,000 active RPs and more than 1 billion cubic metres of gas carried.

At 31 December 2015, Toscana Energia's revenues of some €125 million generated EBIT of approximately €61 million and a net profit of approximately €40 million.

- **Umbria Distribuzione Gas S.p.A. (45%)**

  The remaining 55% of Umbria Distribuzione Gas S.p.A. ("**Umbria Distribuzione**") is owned by ASM Terni S.p.A. (40%) and Acea S.p.A. (15%).

  As the holder of an 11-year mandate, as from August 2007, Umbria Distribuzione manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructure owned by Terni Reti S.r.l., a wholly owned subsidiary of the Terni municipality.

  The natural gas distribution network managed by Umbria Distribuzione extends for 397 kilometres, with around 50,000 active RPs and 54 million cubic metres of gas carried in 2015.

  At 31 December 2015, Umbria Distribuzione's revenues of approximately €6.5 million generated EBIT of some €550,000 and a net profit of approximately €310,000.

- **Metano S. Angelo Lodigiano S.p.A. (50%)**

  The remaining 50% of Metano S. Angelo Lodigiano S.p.A. ("**Metano Lodigiano**") is owned by the municipality of S. Angelo Lodigiano.

  Metano Lodigiano holds the gas distribution concessions in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano suburb (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

  Metano Lodigiano serves around 9,700 RPs and carries 17 million cubic metres of gas in 2015.

  At 31 December 2015, Metano Lodigiano's revenues of approximately €1.5 million generated EBIT of some €540,000 and a net profit of approximately €350,000.

On 21 June 2016, the Italgas Board of Directors called the Shareholders' Meeting to be held on 18 July 2016 to resolve on the distribution of a dividend for the year 2015, amounting to € 274,563,390.96.

4.3 Effects on the assets and liabilities of the Demerger

4.3.1 Effects of the Demerger on the assets and liabilities of the Demerged Company

The Demerger will yield a proportional reduction of €1,569,211,964.76 in the Demerged Company's net asset, by way of a reduction of €961,181,518.44 in share capital and a

reduction of €608,030,446.32 in reserves. Specifically, the legal reserve will be reduced by €192,236,303.69 and the share premium reserve by €415,794,142.63.

Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

4.3.2 Effects of the Demerger on the assets and liabilities of the Beneficiary Company

The Demerger will yield a corresponding increase of €1,569,211,964.76 in the Beneficiary Company's net asset, attributed (i) to share capital in the amount of €961,181,518.44, thereby increasing the share capital from €40,050,000 to €1,001,231,518.44 via the issuance of 700,127,659 new shares; and (ii) to reserves in the total amount of €608,030,446.32. The legal reserve will increase by €192,236,303.69 and the share premium reserve by €415,794,142.63.

A summary of the aforementioned effects on the assets and liabilities of the Demerged Company and the Beneficiary Company is shown below. In particular, the first column shows the Demerged Company's net asset items at 31 December 2015, while the second and third columns show, respectively, the post-Demerger breakdown of the net asset of the Beneficiary Company and the Demerged Company.

	Snam pre-Demerger (31 December 2015)	**ITG Holding post-Demerger (*)**	**Snam post-Demerger**
Share capital	3,696,851,994.00	961,181,518.44	2,735,670,475.56
Legal reserve	739,370,398.80	192,236,303.69	547,134,095.11
Share premium reserve	1,604,214,715.01	415,794,142.63	1,188,420,572.38
Other reserves	(29,979,837.77)		(29,979,837.77)
Net profit	824,675,951.88		824,675,951.88
Total	6,835,133,221.92	1,569,211,964.76	5,265,921,257.16

(*) The items of net asset awarded to ITG Holding after the Demerger and allocated to the share capital and legal reserve have been calculated on a proportional basis, *i.e.* the ratio of the Demerged Assets and Liabilities to Snam's net asset at 31 December 2015, net of the effects of allocating 2015 income, as decided by the Shareholders' Meeting of 27 April 2016. The amount allocated to the share premium reserve was calculated on top of the total value of the Demerged Assets and Liabilities.

The following table summarises the financial effects on the net asset of the Demerger and Beneficiary Company resulting from the entire Transaction (constitution of ITG Holding, Transfer, Sale and Demerger), also including the effects resulting from the allocation of the net profit for 2015, approved by the Shareholders' Meeting of 27 April 2016.

(€ million)

Snam	**31 December 2015 (*prior* to the Transaction)**	**2015 dividend distribution**	**Snam post dividend distribution**	**Sale**	**Demerger**	**Snam *post* Transaction**
Share capital	3,697		3,697		(961)	2,736
Legal reserve	739		739		(192)	547
Share premium reserve	1,603	(50)	1,553		(416)	1,137
Other reserves	(29)		(29)	350 (*)		321
Net profit	825	(825)				
Net asset attributable to Snam	**6,835**	**(875)**	**5,960**	**350**	**(1,569)**	**4,741**

ITG Holding	**Constitution**	**Transfer**	**Sale**	**Demerger**	**ITG Holding *post* Transaction**
Share capital	€50,000	40		961	1,001
Legal reserve				192	192
Share premium reserve		204		416	620
Other reserves			(350) (*)		(350)
Net asset of ITG Holding		**244**	**(350)**	**1,569**	**1,463**

(*) The reserve, a positive value for the Demerged Company and a negative value for the Beneficiary Company, is recognised against the Sale and is equal to the difference between the Sale price and the corresponding fraction of the cost of the holding.

ALLOCATION OF SHARES OF THE BENEFICIARY COMPANY

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the number of shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company for every five Snam shares held. After the allocation, Snam's shareholders will hold a total share of 86.50% of the share capital of the Beneficiary Company. No cash adjustment is therefore provided for.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli S.p.A., within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

5. MODALITIES OF ALLOCATION OF THE SHARES OF THE BENEFICIARY COMPANY

The shares of the Beneficiary Company will be awarded to entitled parties electronically using authorised intermediaries, starting from the effective date of the Demerger and according to the time frames and methods published with suitable notice.

Subject to the issue of the necessary authorisations at the time of allocation, the shares of the Beneficiary Company will be admitted to trading on the MTA. The initial date of trading of ITG Holding shares on the MTA will be established by Borsa Italiana by a specific order.

In exchange for the treasury shares held by Snam at the date of this Demerger Plan (1,127,250), which will not be allocated, in addition to retaining the above shares, the Demerged Company will receive 225,450 shares of the Beneficiary Company.

In addition to such number of shares, the following should be taken into account (i) the Beneficiary Company shares held by Snam as at the date of this Demerger Plan, resulting from the incorporation of the Beneficiary Company (50,000), and (ii) the ITG Holding shares that will be awarded to Snam following the Transfer of its 8.23% stake in Italgas to ITG Holding (108,957,843).

As a result of the above, Snam will hold 13.50% of the Beneficiary Company's share capital after the Transaction.

6. CONDITIONS FOR THE COMPLETION AND THE EFFECTIVENESS OF THE DEMERGER

In addition to the conditions of law, including, specifically, the favourable vote of the Snam Shareholders' Meeting, the efficacy of the Transaction is conditioned upon:

(i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the MTA;

(ii) the issuance of the judgement of equivalence by Consob pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the Information Document, supplemented pursuant to said Article; and

(iii) the approval of the Transaction by the bondholders of the Demerged Company.

Subsequent to the Transaction, the Beneficiary Company shares will be traded on the MTA.

The schedule of the Transaction provides that, subject to the fulfillment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

In addition, the deeds relating to the Transaction are conditional, so as to ensure that the individual steps into which the Transaction is divided occur in a unitary and substantially simultaneous manner.

At the date of this Demerger Plan, the Beneficiary Company does not plan to request the admission to trading of its shares on other markets.

7. DEMERGER EFFECTIVE DATE AND DATE OF CONTRIBUTION TO THE PROFITS OF THE BENEFICIARY

The Demerger will take legal effect on the later of: the date when the Demerger deed is recorded in the relevant Companies Register pursuant to Article 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed. The effective date of the Demerger shall coincide with the start date of negotiations about the shares of ITG Holding on the MTA. The Demerger is likely to take effect before 31 December 2016.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the aforementioned legal effective date of the Demerger

The Transaction is being conducted under the going-concern principle insofar as it is assumed it is a business combination involving entities or businesses under common control, since the companies participating in the business combination (Snam, ITG Holding and Italgas) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

Pursuant to Article 2501-*ter*, No 6 of the Civil Code, referred to in Article 2506-*quater* of the Civil Code, the accounting effects of the Demerger will apply as of the effective date of the Demerger, as set out in the previous paragraph. As such, the accounting effects of the Demerger will be applied to the Beneficiary Company's financial statements as of said effective date of the Demerger.

8. TREATMENT RESERVED FOR SPECIFIC SHAREHOLDER CATEGORIES

No shares of the Demerged Company exist, other than ordinary shares.

At the date of this Demerger Plan, the Demerged Company has no share incentive plans involving the allocation of Snam shares.

Long-term variable incentives

Snam has two types of plans in place:

(i) The Deferred Monetary Incentive Plans ("**DMI Plans**"), reserved for managers of the Demerged Company who met their predefined individual targets in the previous year and are eligible for the Leadership Development Programme[1], which award a basic incentive to be paid out after three years depending on the Company's performance during that period. This performance is calculated as the average Snam Group EBITDA in the three-year period measured in comparison to budget forecasts. The DMI Plans aims to motivate and retain managers, as well as establish a closer tie between targets, performance and incentives.

(ii) The Long-Term Monetary Incentive Plans ("**LTMI Plans**"), for the Chief Executive Officer, managers with strategic responsibilities and other managers that have a greater impact on the corporate results. Such plans are a tool to incentivize management and increase loyalty and provide for the annual allocation of a basic incentive award to be paid after three years and vary according to performance criteria relating to:

a. adjusted net income as compared with to the adjusted net income forecast in the budget (with a weighting of 60%);

b. performance of the Total Shareholder Return as compared to the performance of the Total Shareholder Return of a peer group (with a weighting of 40%).

The LTMI Plans are intended to support corporate profitability and guarantee a greater alignment to the interests of shareholders in the medium- to long-term.

Short-term variable incentives

Snam has also adopted an incentive plan involving an annual payout ("**AMI Plan**") aimed at motivating and focusing managers in the short term, in line with the corporate objectives set out by the Board of Directors. The amount of the short-term incentive depends on the position held and company and individual performance in the previous year.

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[1] The *Leadership Development Programme* is a programme dedicated to the development of human resources showing constant performance, a strong passion for work and courage in breaking new ground and aims to accelerate the growth of participants. The access to the program is selective and the participation in the program is confirmed every year on the basis of the targets achieved.

With reference to the Long-term and Short-term Variable Incentives Plan for the Chief Executive Officer and managers with strategic responsibilities, see the 2016 Remuneration Report of Snam (www.snam.it).

9. SPECIFIC BENEFITS FOR DIRECTORS OF THE COMPANIES PARTICIPATING IN THE DEMERGER

No specific benefits are expected for directors of the companies participating in the Demerger.

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This is without prejudice to (i) any additions and/or changes to the Demerger Plan and its annexes required by the appropriate authorities and market management companies; (ii) updates (including numerical) connected and/or consequent to the provisions of the Demerger Plan; and (iii) any amendments that do not affect the rights of shareholders or third parties, pursuant to Article 2502, paragraph 2 of the Civil Code.

Annexes:

A. Post-Demerger bylaws of Snam S.p.A.;
B. Post-Demerger bylaws of ITG Holding S.p.A.;
C. Statement of Financial Position of ITG Holding as at 1 June 2016

28 June 2016

For Snam S.p.A.

CEO

(Marco Alverà)

For ITG Holding S.p.A.

(Authorized Signatory)

SNAM S.p.A. BYLAWS	~~SNAM~~ ITG HOLDING S.p.A. BYLAWS[1]
Chapter I- ESTABLISHMENT AND CORPORATE PURPOSE	**Chaper I- ESTABLISHMENT AND CORPORATE PURPOSE**
ARTICLE 1	ARTICLE 1
1.1 The Company **"Snam S.p.A."** is governed by these Bylaws. The name may be written in any font in either upper or lower case letters.	1.1 The Company **"~~Snam~~ ITG Holding S.p.A."** ~~is~~ is governed by these Bylaws. The name may be written in any font in either upper or lower case letters[2].
ARTICLE 2	ARTICLE 2
2.1 The corporate purpose is to exercise, directly or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated activities involving transportation, dispatching, distribution, regasification and storage of hydrocarbons, as well as any other economic activity that is linked through whatever degree of importance to one or more of the activities mentioned above, including the production of hydrocarbons associated with activities for storage thereof, the storage of other gases, the activity of energy metering, as well as the	2.1 The corporate purpose is to exercise, directly or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated activities in the gas sector, and in particular distribution and metering of any kind of gas in all its applications. ~~involving transportation, dispatching, distribution, regasification and storage of hydrocarbons,~~ ~~2.1~~2.2 The Company may as well as exercise in any other economic activity that is linked through whatever degree of importance to one or more of the activities mentioned above ~~, including the~~

[1] The shareholders' meetings called to approve the Demerger Plan may resolve to amend the corporate name and the head office.

[2] The shareholders' meetings called to approve the Demerger Plan may resolve to amend the corporate name and the head office.

management of organised gas markets; all in observance of the concessions provided for by law.	~~production of hydrocarbons associated with activities for storage thereof, the storage of other gases, the activity of energy metering, as well as the management of organised gas markets; all in observance of the concessions provided for by law~~(and, thus, for example, and within the limits provided by the pro tempore sectorial provisions in force, any activity included in the gas and hydrocarbons sector), as well as any activity to be exercised through an infrastructure homogeneous to the performance of the activities listed in the first paragraph of this article.
2.2 In pursuance of the corporate purpose and instrumental thereto, the Company:	~~2.2~~2.3 In pursuance of the corporate purpose and instrumental thereto, the Company:
– may take all actions necessary or appropriate for the achievement of the corporate purpose, by way of example, industrial, commercial, securities, property and financial operations, as assets or liabilities, and any activity that is connected to the achievement of the corporate purpose, including technical and scientific research – the acquisition of technical patents related to activities developed and the activities of the study, design, construction, acquisition, management and operation of complex systems of transportation, transportation infrastructure, information technology and telecommunications, with the exception of the collection of public savings and the performance of activities regulated by law on financial intermediation;	– may take all actions necessary or appropriate for the achievement of the corporate purpose, by way of example, industrial, commercial, securities, property and financial operations, as assets or liabilities, and any activity that is connected to the achievement of the corporate purpose, including technical and scientific research – the acquisition of technical patents related to activities developed and the activities of the study, design,
– shall undertake the technical,	

industrial and financial coordination of subsidiaries and the provision of the appropriate financial assistance and services by those required; – may engage in activities connected with the protection and restoration of the environment and land conservation; – in its operations will uphold the principles of equal treatment of shippers, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the Law. In particular, the Company, in accordance with the principles of cost-effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate purpose with the intention of promoting competition, efficiency and the appropriate levels of quality in providing services. To this end: • guarantees impartiality in the	construction, acquisition, management and operation of complex systems of transportation, transportation infrastructure, information technology and telecommunications, with the exception of the collection of public savings, carrying out *vis-a-vis* the public activities which are qualified by the law as financial activities, and the performance of activities regulated by law on financial intermediation; – shall undertake the technical, industrial and financial coordination of subsidiaries and the provision of the appropriate financial assistance and services by those required; – may engage in activities connected with the protection and restoration of the environment and land conservation; – in its operations will uphold the principles of equal treatment of shippers, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the Law. In particular, the Company, in accordance with

management of essential infrastructures for the development of a free energy market; • prevents discrimination in the access to commercially sensitive information; • prevents the exchange of resources between segments of the supply chains.	the principles of cost-effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate purpose with the intention of promoting competition, efficiency and the appropriate levels of quality in providing services. To this end: • guarantees impartiality in the management of essential infrastructures for the development of a free energy market; • prevents discrimination in the access to commercially sensitive information; • prevents the exchange of resources between segments of the supply chains.
ARTICLE 3	ARTICLE 3
3.1 The Company's head office is in San Donato Milanese, Milan, Piazza Santa Barbara 7.	3.1 The Company's head office is in San Donato Milanese, Milan, Piazza Santa Barbara 7[3].
3.2 Additional offices, branches, agencies, subsidiaries and representative offices may be established or wound up in Italy and abroad.	3.2 Additional offices, branches,
ARTICLE 4	
4.1 The duration of the Company is until 31 December 2100 and may be extended one or more times, by resolution of the Shareholders' Meeting.	
Chapter II– SHARE CAPITAL OF THE COMPANY	

[3] The shareholders' meetings called to approve the Demerger Plan may resolve to amend the corporate name and the head office.

ARTICLE 5	agencies, subsidiaries and representative offices may be established or wound up in Italy and abroad.
5.1 The share capital amounts to € 2,735,670,475.56 (two billion, seven hundred thirty-five million, six hundred seventy thousand, four hundred seventy five point fifty six), divided into no. 3,500,638,294 (three billion, five hundred million, six hundred thirty eight thousand, two hundred ninety-four hundred) shares with no par value.	ARTICLE 4
5.2 The Shareholders' Meeting may decide to increase capital by imposing terms, conditions and procedures. The capital may be increased: with in-kind contributions and credits and by issuing new shares, including special categories, to be allocated for free under Article 2349 of the Italian Civil Code.	4.1 The duration of the Company is until 31 December 2100 and may be extended one or more times, by resolution of the Shareholders' Meeting.
ARTICLE 6	**Chaper II– SHARE CAPITAL OF THE COMPANY**
6.1 The shares are registered and may not be split. Each share carries the right to one vote.	ARTICLE 5
6.2 Where a share is jointly owned, the shareholders' rights are exercised by a single representative. The provisions regarding representation, legitimation and circulation of the shares envisaged for shares traded on regulated markets are	5.1 The share capital amounts to €1,001,231,518.44~~2.735.670.475,56~~ (one billion, one million, two hundred thirty one thousand, five hundred eighteen point forty four)~~(two billion, seven hundred thirty five million, six hundred seventy thousand, four hundred seventy five point fifty six)~~, divided into no. ~~3,500,638,294~~809,135,502 (~~three billion, five~~ eight hundred nine million, one hundred thirty five thousand, five hundred two~~hundred million, six hundred thirty eight thousand, two hundred ninety four~~) shares with no indication of nominal value.
	5.2 The Shareholders' Meeting may decide to

confirmed.	increase capital by imposing terms, conditions and procedures. The capital may be increased: with in-kind contributions and credits and by issuing new shares, including special categories, to be allocated for free under Article 2349 of the Italian Civil Code.
6.3 Payments on shares shall be requested by the Board of Directors on one or more occasions. Default interest on late payments shall be charged at the legal rate of interest and Article 2344 of the Italian Civil Code applies.	ARTICLE 6
6.4 Withdrawal shall be allowed only in those cases envisaged in compulsory provisions of law and in any case, shall not be permitted in the case of extension of the duration, as well introduction, modification or removal of constraints regarding the circulation of shares.	6.1 The shares are registered and may not be split. Each share carries the right to one vote.
6.5 Shareholder status, in and of itself, implies the unconditional adherence to these Bylaws.	6.2 Where a share is jointly owned, the shareholders' rights are exercised by a single representative. The provisions regarding representation, legitimation and circulation of the shares envisaged for shares traded on regulated markets are confirmed.
6.6 The domicile of shareholders, other parties with voting rights, directors, auditors and the statutory audit Company, for the purposes of their relations with the Company, is the one indicated in the corporate books or in subsequent notifications sent by said persons.	6.3 Payments on shares shall be requested by the Board of Directors on one or more occasions. Default interest on late payments shall be charged at the legal rate of interest and Article 2344 of the Italian Civil Code applies.
ARTICLE 7	6.4 Withdrawal shall be allowed only in those cases envisaged in compulsory provisions of law and in any case, shall not be permitted in the case of
7.1 The Company may issue bonds, including convertible bonds or warrant	

bonds and other certificates of indebtedness in the correct legal forms. **Chapter III – SHAREHO L DERS' ME E T ING** ARTICLE 8 8.1 Shareholders' Meetings shall be either ordinary or extraordinary. 8.2 The ordinary Shareholders' Meeting shall be called to approve the financial statements at least once a year, within 180 days of the closing of the financial year, since the Company is required to prepare consolidated financial statements. 8.3 Shareholders' Meetings shall be held in Italy. ARTICLE 9 9.1 The Shareholders' Meeting shall be convened by notice published in terms and manner prescribed by current legislation. Shareholders' meetings shall be convened in a single call only. ARTICLE 10 10.1 Participation in the Shareholders' Meeting is governed by provisions of law, by the Bylaws and by the provisions contained in the notice of call	extension of the duration, as well introduction, modification or removal of constraints regarding the circulation of shares. 6.5 Shareholder status, in and of itself, implies the unconditional adherence to these Bylaws. 6.6 The domicile of shareholders, other parties with voting rights, directors, auditors and the statutory audit Company, for the purposes of their relations with the Company, is the one indicated in the corporate books or in subsequent notifications sent by said persons. ARTICLE 7 7.1 The Company may issue bonds, including convertible bonds or warrant bonds and other certificates of indebtedness in the correct legal forms. **Chaper III – SHAREHO L DERS' ME E T ING** ARTICLE 8 8.1 Shareholders' Meetings shall be either ordinary or extraordinary. 8.2 The ordinary Shareholders' Meeting shall be called to approve the financial

of the Meeting.	statements at least once a year, within 180 days of the closing of the financial year, since the Company is required to prepare consolidated financial statements.
10.2 The legitimisation of participation in the Shareholders' Meeting is governed by the provisions of the law. Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company.	8.3 Shareholders' Meetings shall be held in Italy.
10.3 The Company shall provide space to enable associations of shareholders who fulfil the relevant legal requirements under the terms and conditions agreed upon with their legal representatives from time to time to post notices and to collect proxies on behalf of shareholders who are employees of the Company or its subsidiaries.	ARTICLE 9 9.1 The Shareholders' Meeting shall be convened by notice published in terms and manner prescribed by current legislation. Shareholders' meetings shall be convened in a single call only.
10.4 It is the duty of the Chairman of the Shareholders' Meeting to ensure the validity of proxies and the right to participation in the Shareholders' Meeting.	ARTICLE 10 10.1 Participation in the Shareholders' Meeting is governed by provisions of law, by the Bylaws and by the provisions contained in the notice of call of the Meeting.
10.5 The conduct of Shareholders' Meetings is governed by meeting regulations approved by the ordinary Shareholders' Meeting.	10.2 The legitimisation of participation in the Shareholders' Meeting is governed by the provisions of the law. Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company.
ARTICLE 11	10.3 The Company shall provide space to

11.1 The Shareholders' Meeting, legally convened and constituted, represents all the shareholders. Its decisions are binding on all the shareholders even if they did not participate in the Meetings, or abstained or voted against them.

11.2 The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the person appointed by a majority of the shareholders present.

11.3 The Shareholders' Meeting appoints a Secretary, who need not be a shareholder.

11.4 The minutes of the Shareholders' Meeting are written by the Secretary and signed by the Secretary and the Chairman; the minutes of the extraordinary Shareholders' Meetings are written by a notary and signed by the Chairman.

The copies of the minutes certified as correct by their writer and the Chairman constitute the legal record.

ARTICLE 12

12.1 The validity of the formation of Shareholders' Meetings is established by law.

enable associations of shareholders who fulfil the relevant legal requirements under the terms and conditions agreed upon with their legal representatives from time to time to post notices and to collect proxies on behalf of shareholders who are employees of the Company or its subsidiaries.

10.4 It is the duty of the Chairman of the Shareholders' Meeting to ensure the validity of proxies and the right to participation in the Shareholders' Meeting.

10.5 The conduct of Shareholders' Meetings is governed by meeting regulations approved by the ordinary Shareholders' Meeting.

ARTICLE 11

11.1 The Shareholders' Meeting, legally convened and constituted, represents all the shareholders. Its decisions are binding on all the shareholders even if they did not participate in the Meetings, or abstained or voted against them.

11.2 The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the person appointed

12.2 The Ordinary Shareholders' Meeting authorises resolutions concerning disposal, contribution, leasing, usufruct and any other act of disposition, including those that apply to joint ventures, or subject to business restrictions or strategically relevant business units involving gas transportation or dispatching activity, notwithstanding the directors' responsibility for the acts carried out, pursuant to Article 2364 no. 5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three-fourths of the capital present at the meeting.

12.3 For other matters within its powers, the ordinary Shareholders' Meeting decides with the majorities set by law.

12.4 The extraordinary Shareholders' Meeting resolves with a majority of at least three-fourths of the capital present at the meeting.

12.5 The Board of Directors is responsible for passing resolution on the following issues:

– a merger in the cases envisaged in Articles 2505 and 2505-*bis* of the

by a majority of the shareholders present.

11.3 The Shareholders' Meeting appoints a Secretary, who need not be a shareholder.

11.4 The minutes of the Shareholders' Meeting are written by the Secretary and signed by the Secretary and the Chairman~~; the minutes of the extraordinary Shareholders' Meetings are written by a notary and signed by the Chairman~~.

The copies of the minutes certified as correct by their writer and the Chairman constitute the legal record.

ARTICLE 12

12.1 The validity of the formation of Shareholders' Meetings and of its resolutions is established by law.

~~12.2 12.2 The Ordinary Shareholders' Meeting authorises resolutions concerning disposal, contribution, leasing, usufruct and any other act of disposition, including those that apply to joint ventures, or subject to business restrictions or strategically relevant business units involving gas transportation or dispatching activity, notwithstanding the directors' responsibility for the acts carried out,~~

Italian Civil Code, also in the case of de-merger; – opening, modification and closure of additional offices; – reduction of the share capital in the case of withdrawal of shareholders; – amendments of Bylaws to comply with legislative provisions; – transfer of the company's registered office within the domestic territory. **Chapter IV – BOARD OF DIRECTORS** ARTICLE 13 13.1 The Company is managed by a Board of Directors made up of no less than five members and no more than nine; their number and their term of office are established by the Shareholders' Meeting at the time of appointment. 13.2 Directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term of office; they may be re-elected. 13.3 Pursuant to the pro tempore provisions in	~~pursuant to Article 2364 no. 5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three-fourths of the capital present at the meeting.~~ ~~12.3 12.3 For other matters within its powers, the ordinary Shareholders' Meeting decides with the majorities set by law.~~ ~~12.4 12.4 The extraordinary Shareholders' Meeting resolves with a majority of at least three-fourths of the capital present at the meeting.~~ ~~12.5~~12.2 The Board of Directors is responsible for passing resolution on the following issues: – a merger in the cases envisaged in Articles 2505 and 2505-*bis* of the Italian Civil Code, also in the case of de-merger; – opening, modification and closure of additional offices; – reduction of the share capital in the case of withdrawal of shareholders; – amendments of Bylaws to comply with legislative provisions; – transfer of the company's registered office within the domestic territory.

force on gender representation, the Board of Directors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number. Lists are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public by the methods provided for by law and by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Each candidate may run as a candidate on only one list, subject to ineligibility. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. The ownership of the minimum percentage necessary for the submission of lists is determined considering the shares registered in the shareholder's favour on the date on which the lists are filed	**Chaper IV – BOARD OF DIRECTORS** ARTICLE 13 13.1 The Company is managed by a Board of Directors made up of ~~no less than five members and no more than~~ nine members; ~~their number and~~ their term of office ~~are~~ is established by the Shareholders' Meeting at the time of appointment. 13.2 Directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term of office; they may be re-elected. 13.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Directors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number. Lists are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public by

at the Company. For purposes of corroborating ownership of the number of shares necessary for the submission of lists, shareholders must produce the respective certification issued in accordance with the law by authorised intermediaries by the deadline provided for publication of the lists by the Company. If there are no more than seven directors on the board, at least one must satisfy the independence criteria established for auditors of listed companies; however, with more than seven directors on the board, at least three must satisfy the independence criteria. Candidates meeting the aforesaid independence requirements must be specifically identified on the lists. Pursuant to the Prime Minister's Decree of 25 May 2012 laying down the "Criteria, conditions and arrangements for the adoption of the Snam S.p.A. unbundling model pursuant to Article 15 of Law 27 of 24 March 2012", directors may not sit on the administrative board or supervisory board nor hold office in eni S.p.A. or its subsidiaries, nor deal directly or indirectly, on a professional or financial basis, with such companies. All candidates must also meet the honesty requirements provided for by current provisions.	the methods provided for by law and by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Each candidate may run as a candidate on only one list, subject to ineligibility. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. The ownership of the minimum percentage necessary for the submission of lists is determined considering the shares registered in the shareholder's favour on the date on which the lists are filed at the Company. For purposes of corroborating ownership of the number of shares necessary for the submission of lists, shareholders must produce the respective certification issued in accordance with the law by authorised intermediaries by the deadline provided for publication of the lists by the Company. ~~If there are no more than seven directors on the board, a~~At least ~~one~~three directors must satisfy the independence criteria established

In order to comply with applicable regulations on gender representation, in the lists containing three or more candidates, candidates of each gender shall be present, in accordance with the notice of call of the Shareholders' Meeting. Where the number of the least represented gender must, by law, be at least three, the presented lists for the appointment of the majority of the Board of Directors' members must include at least two candidates of the least represented gender. Together with each list, subject to its admissibility, a curriculum vitae must be filed for each candidate as well as the candidates' statements accepting their candidacy and certifying, under their own cognisance, the lack of grounds for ineligibility or incompatibility, as well as the fact that they satisfy the honesty and possible independence requirements. The directors appointed must inform the Company of any loss of the independence and honesty requirements, as well as the occurrence of causes of ineligibility or incompatibility. 13.4 The Board shall periodically evaluate the independence and honesty of the directors, as well as the lack of grounds for ineligibility or incompatibility. In the event a director does not meet or	for auditors of listed companies~~; however, with more than seven directors on the board, at least three must satisfy the independence criteria~~. Candidates meeting the aforesaid independence requirements must be specifically identified on the lists. Pursuant to the Prime Minister's Decree of 25 May 2012 laying down the "Criteria, conditions and arrangements for the adoption of the Snam S.p.A. unbundling model pursuant to Article 15 of Law 27 of 24 March 2012", directors may not sit on the administrative board or supervisory board nor hold office in eni S.p.A. or its subsidiaries, nor deal directly or indirectly, on a professional or financial basis, with such companies. All candidates must also meet the honesty requirements provided for by current provisions. In order to comply with applicable regulations on gender representation, in the lists containing three or more candidates, candidates of each gender shall be present, in accordance with the notice of call of the Shareholders' Meeting. Where the number of the least represented gender must, by law, be at least three, the presented lists for the appointment of the majority of the Board of Directors' members must include at least two candidates

ceases to meet the independence or honesty requirements declared or legally required, or if grounds for ineligibility or incompatibility should exist, the Board shall dismiss the director and replace him/her or ask him/her to desist from the reason of incompatibility within a pre-determined time period, else face dismissal from office. 13.5 Directors shall be elected as follows: a) seven tenths of the directors to be elected shall be taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal; b) the remaining directors shall be taken from the other lists, which may not be associated in any way, even indirectly, to shareholders who have submitted or voted for the list which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one,	of the least represented gender. Together with each list, subject to its admissibility, a curriculum vitae must be filed for each candidate as well as the candidates' statements accepting their candidacy and certifying, under their own cognisance, the lack of grounds for ineligibility or incompatibility, as well as the fact that they satisfy the honesty and possible independence requirements. The directors appointed must inform the Company of any loss of the independence and honesty requirements, as well as the occurrence of causes of ineligibility or incompatibility. 13.4 The Board shall periodically evaluate the independence and honesty of the directors, as well as the lack of grounds for ineligibility or incompatibility. In the event a director does not meet or ceases to meet the independence or honesty requirements declared or legally required, or if grounds for ineligibility or incompatibility should exist, the Board shall dismiss the director and replace him/her or ask him/her to desist from the reason of incompatibility within a pre-determined time period, else face dismissal from office. 13.5 Directors shall be elected as follows:

two or three, depending on the consecutive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown in them. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list which has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall	a) seven ~~tenths of the~~ directors to be elected shall be taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list~~, rounding down to the nearest whole number if the number is a decimal~~; b) the remaining two directors shall be taken from the other lists, which may not be associated in any way, even indirectly, to shareholders who have submitted or voted for the list which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one and~~,~~ two ~~or three, depending on the consecutive number of directors to be elected~~. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown in them. The quotients thus assigned to candidates from the different lists shall be arranged in a single

be elected; c) if, after following the procedure described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate is taken from the lists, dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the very lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by people who meet the independence criteria and appointed in accordance with the procedure mentioned in letter d). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of	decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list which has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected; c) if, after following the procedure described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate is taken from the lists, dividing the number of votes for each list

directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;	by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the very lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by people who meet the independence criteria and appointed in accordance with the procedure mentioned in letter d). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders'
c-*bis*) notwithstanding the procedure described in letters a) and b) above it is not possible to comply with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding the compliance with the minimum number of independent directors, by the candidate of the least	

represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned in letter d). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;	Meeting shall be replaced;
d) for the appointment of directors not appointed for any reason by the above procedure, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of	c-*bis*) notwithstanding the procedure described in letters a) and b) above it is not possible to comply with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding the compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned in letter d). If candidates from different lists have obtained the same lowest

Directors is consistent both with the law and with the Bylaws. Additional binding legal provisions, including regulatory rules, remain unchanged. 13.6 The list voting mechanism applies only for the replacement of the entire Board of Directors. 13.7 Even during its term of office, the Shareholders' Meeting may change the number of directors, provided it is within the limit set forth in paragraph one of this Article, respective appointments in accordance with the procedures set forth in Article 13.5 lett. d), above. The term of office of directors thus elected shall expire with those in office. 13.8 If, during the financial year, the office of one or more directors should be vacated, Article 2386 of the Italian Civil Code shall be applied. Compliance with the minimum number of independent directors and with the applicable law on gender representation must in any case be ensured. If the majority of directors should vacate their offices, the entire Board of Directors shall be understood to resign, and the Shareholders' Meeting must be called without delay by the	quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced; d) for the appointment of directors not appointed for any reason by the above procedure, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Directors is consistent both with the law and with the Bylaws. Additional binding legal provisions, including regulatory rules, remain unchanged. 13.6 The list voting mechanism applies only for the replacement of the entire Board of Directors. ~~13.7 13.7 Even during its term of office, the Shareholders' Meeting may change the~~

Board of Directors in order to replace it.	~~number of directors, provided it is within the limit set forth in paragraph one of this Article, respective appointments in accordance with the procedures set forth in Article 13.5 lett. d), above. The term of office of directors thus elected shall expire with those in office.~~
13.9 The Board of Directors may form internal committees charged with consultative and advisory duties on specific matters.	~~13.8~~13.7 ~~8~~If, during the financial year, the office of one or more directors should be vacated, Article 2386 of the Italian Civil Code shall be applied.
ARTICLE 14	Compliance with the minimum number of independent directors and with the applicable law on gender representation must in any case be ensured.
14.1 The Board of Directors may appoint the Chairman from among its members if the Shareholders' Meeting has not already done so, as well as the Secretary, who need not be a Board Director.	If the majority of directors should vacate their offices, the entire Board of Directors shall be understood to resign, and the Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.
The Chairman: – represents the Company pursuant to Article 19 of these Bylaws; – chairs Shareholders' Meetings, exercising the functions envisaged in law and in the Shareholders' Meeting regulation; – calls and chairs Board of Directors' meetings, prepares the agenda and coordinates its tasks; – arranges for adequate information about the topics on the agenda to be provided to the directors.	~~13.9~~13.8 The Board of Directors may form internal committees charged with consultative and advisory duties on specific matters.
ARTICLE 15	ARTICLE 14
15.1 The Board of Directors is convened by	14.1 The Board of Directors may appoint the Chairman from among its members if the Shareholders' Meeting has not already

the Chairman – or, in his absence or impediment, by the Chief Executive Officer, or, finally, in his absence or impediment, by the eldest board member– whenever he deems suitable or when at least two Board members request a meeting of the Board in writing. The request must indicate the reasons for convening the Board.	done so, as well as the Secretary, who need not be a Board Director.
15.2 The Board of Directors meets in the location indicated in the notice of call. The notice is usually sent at least five days before the meeting. The Board of Directors' meetings may be held via conference call or video conference on condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting is considered as having taken place where the Chairman of the meeting and Secretary are located. The Board of Directors shall define additional terms and procedures for convening of its meetings.	The Chairman: – represents the Company pursuant to Article 19 of these Bylaws; – chairs Shareholders' Meetings, exercising the functions envisaged in law and in the Shareholders' Meeting regulation; – calls and chairs Board of Directors' meetings, prepares the agenda and coordinates its tasks; – arranges for adequate information about the topics on the agenda to be provided to the directors.
15.3 The meetings of the Board of Directors shall be chaired by the Chairman or in his absence or impediment, the Chief Executive Officer or, finally, in case of	ARTICLE 15 15.1 The Board of Directors is convened by the Chairman – or, in his absence or impediment, by the Chief Executive Officer, or, finally, in his absence or impediment, by the eldest board member– whenever he deems suitable or when at least two Board members request a meeting of the Board in writing. The request must indicate the reasons for convening the Board. 15.2 The Board of Directors meets in the location indicated in the notice of call.

absence or inability to attend of the latter, by the eldest Board member present.	The notice is usually sent at least five days before the meeting. The Board of Directors' meetings may be held via conference call or video conference on condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting is considered as having taken place where the Chairman of the meeting and Secretary are located. The Board of Directors shall define additional terms and procedures for convening of its meetings.
ARTICLE 16	15.3 The meetings of the Board of Directors shall be chaired by the Chairman or in his absence or impediment, the Chief Executive Officer or, finally, in case of absence or inability to attend of the latter, by the eldest Board member present.
16.1 The Board of Directors is invested with full powers for ordinary and extraordinary management of the Company and, in particular, may take all actions it deems necessary for the implementation and achievement of the corporate purpose, excluding only acts that the law or these Bylaws reserve to the Shareholders' Meeting. The Board of Directors may delegate its powers to one or more of its members, determining the limits of delegation pursuant to Article 2381 of the Civil Code and appointing the Chief Executive Officer. The Board of Directors may, in any case, issue directives to the Chief Executive Officer and re-assume responsibility for activities delegated. The Board of Directors may also revoke the powers granted at any time, proceeding, in the event of revocation of the powers delegated to the Chief Executive Officer, to appoint a new Chief Executive Officer. The Board of Directors may also establish committees, deciding on their powers and their number of members.	ARTICLE 16 16.1 The Board of Directors is invested with full powers for ordinary and extraordinary management of the Company and, in particular, may take all actions it deems necessary for the implementation and achievement of the corporate purpose, excluding only acts that the law or these Bylaws reserve to

The Board, upon proposal of the Chairman, in consultation with the Chief Executive Officer, may confer powers for single acts or categories of acts to other members of the Board of Directors. The Chairman and the Chief Executive Officer, within the powers to them conferred, may give proxies and powers of attorney of the Company, for single acts or categories of acts, to employees of the Company and also third parties. 16.2 The Board of Directors may appoint, as proposed by the Chief Executive Officer, upon agreement with the Chairman, one or more General Managers, defining their powers, subject to verification that they satisfy the legally prescribed integrity requirements. These persons may not hold the posts indicated in Article 13.3 of these Bylaws. The Board of Directors shall periodically evaluate the integrity and the absence of incompatibility of the General Managers. Failure to satisfy the requirements shall result in removal from the position. 16.3 On the occasion of meetings and at least quarterly, the Chairman or any directors granted powers pursuant to this Article shall report to the Board of Directors and the Board of Statutory Auditors on	the Shareholders' Meeting. The Board of Directors may delegate its powers to one or more of its members, determining the limits of delegation pursuant to Article 2381 of the Civil Code and appointing the Chief Executive Officer. The Board of Directors may, in any case, issue directives to the Chief Executive Officer and re-assume responsibility for activities delegated. The Board of Directors may also revoke the powers granted at any time, proceeding, in the event of revocation of the powers delegated to the Chief Executive Officer, to appoint a new Chief Executive Officer. The Board of Directors may also establish committees, deciding on their powers and their number of members. The Board, upon proposal of the Chairman, in consultation with the Chief Executive Officer, may confer powers for single acts or categories of acts to other members of the Board of Directors. The Chairman and the Chief Executive Officer, within the powers to them conferred, may give proxies and powers of attorney of the Company, for single acts or categories of acts, to employees of the Company and also third parties. 16.2 The Board of Directors may appoint, as

the subsidiaries, overall progress, foreseeable trends, significant economic, financial or asset-related transactions, paying special attention to transactions in which they have an interest either on their own behalf or on behalf of third parties or transactions which are influenced by any party involved in management and oversight.	proposed by the Chief Executive Officer, upon agreement with the Chairman, one or more General Managers, defining their powers, subject to verification that they satisfy the legally prescribed integrity requirements. These persons may not hold the posts indicated in Article 13.3 of these Bylaws. The Board of Directors shall periodically evaluate the integrity and the absence of incompatibility of the General Managers. Failure to satisfy the requirements shall result in removal from the position.
16.4 The Board of Directors, as proposed by the Chief Executive Officer and upon agreement with the Chairman, subject to prior approval by the Board of Statutory Auditors, shall appoint the Officer in charge of preparing financial reports from among those who satisfy the requirements of professionalism specified below.	16.3 On the occasion of meetings and at least quarterly, the Chairman or any directors granted powers pursuant to this Article shall report to the Board of Directors and the Board of Statutory Auditors on the subsidiaries, overall progress, foreseeable trends, significant economic, financial or asset-related transactions, paying special attention to transactions in which they have an interest either on their own behalf or on behalf of third parties or transactions which are influenced by any party involved in management and oversight.
The Officer in charge of preparing financial reports must be chosen from among people who do not hold any of the posts referred to in Article 13.3 of these Bylaws and who have performed the following activities for at least three years: a) director, control or management activity at a company listed on regulated markets in Italy, other states of the European Union or other countries belonging to the OECD which have a share	16.4 The Board of Directors, as proposed by the Chief Executive Officer and upon agreement with the Chairman, subject to

capital of no less than €2 million, or b) audit activity at the companies mentioned under letter a), or c) professional or university teaching activity in finance or accounting, or d) managerial functions at public or private entities with financial, accounting or control responsibilities. The Board of Directors shall ensure that the Officer in charge of preparing financial reports is endowed with adequate powers and means to perform his duties and shall ascertain that the company's administrative and accounting procedures are effectively applied. ARTICLE 17 17.1 A Board of Directors meeting is valid if present a majority of members is present. 17.2 Resolutions are adopted by a simple majority of members present and, in the event of a tie, by the meeting chairman's casting vote. 17.3 The minutes of the board meetings are written by the Secretary of the Board of Directors and signed by the Chairman of	prior approval by the Board of Statutory Auditors, shall appoint the Officer in charge of preparing financial reports from among those who satisfy the requirements of professionalism specified below. The Officer in charge of preparing financial reports must be chosen from among people who do not hold any of the posts referred to in Article 13.3 of these Bylaws and who have performed the following activities for at least three years: a) director, control or management activity at a company listed on regulated markets in Italy, other states of the European Union or other countries belonging to the OECD which have a share capital of no less than €2 million, or b) audit activity at the companies mentioned under letter a), or c) professional or university teaching activity in finance or accounting, or d) managerial functions at public or private entities with financial, accounting or control responsibilities.

the meeting and the Secretary.	The Board of Directors shall ensure that the Officer in charge of preparing financial reports is endowed with adequate powers and means to perform his duties and shall ascertain that the company's administrative and accounting procedures are effectively applied.
17.4 Copies of minutes certified by the Chairman of the meeting and the Secretary of the Board of Directors are valid for legal purposes.	
ARTICLE 18	ARTICLE 17
18.1 Board members are entitled to remuneration on an annual basis and for the duration of their office as set by the ordinary Shareholders' Meeting when they were appointed; the remuneration so defined is valid until such time as the Shareholders' Meeting decides otherwise. Board members also receive reimbursement for expenses arising from their duties.	17.1 A Board of Directors meeting is valid if present a majority of members is present.
	17.2 Resolutions are adopted by a simple majority of members present and, in the event of a tie, by the meeting chairman's casting vote.
18.2 Board members with specific duties receive remuneration set by the Board of Directors following the opinion of the Board of Statutory Auditors.	17.3 The minutes of the board meetings are written by the Secretary of the Board of Directors and signed by the Chairman of the meeting and the Secretary.
	17.4 Copies of minutes certified by the Chairman of the meeting and the Secretary of the Board of Directors are valid for legal purposes.
ARTICLE 19	ARTICLE 18
19.1 Legal representation of the Company before any judicial or administrative authority and before third parties and signing on behalf of the Company are responsibility of both the Chairman and the Chief Executive Officer.	18.1 Board members are entitled to remuneration on an annual basis and for the duration of their office as set by the ordinary Shareholders' Meeting when they were appointed; the remuneration so

Chapter V – BOARD OF STATUTORY AUDITORS ARTICLE 20 20.1 The Board of Statutory Auditors consists of three effective auditors; two alternate auditors are also appointed. The Shareholders' Meeting appoints the auditors and determines their compensation. Statutory auditors are chosen from among those who meet the professionalism and honesty requirements indicated in Decree no. 162 of 30 March 2000 of the Ministry of Justice. Issues set forth in this decree which relate strictly to the Company's activity include: commercial law, business economics and business finance. Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector. 20.2 Statutory auditors may assume offices as members of management and control bodies of other companies within the limits set by Consob in its regulations, except for the posts referred to in Article 13.3 of these Bylaws. 20.3 Pursuant to the pro tempore provisions	defined is valid until such time as the Shareholders' Meeting decides otherwise. Board members also receive reimbursement for expenses arising from their duties. 18.2 Board members with specific duties receive remuneration set by the Board of Directors following the opinion of the Board of Statutory Auditors. ARTICLE 19 19.1 Legal representation of the Company before any judicial or administrative authority and before third parties and signing on behalf of the Company are responsibility of both the Chairman and the Chief Executive Officer. **Chaper V – BOARD OF STATUTORY AUDITORS** ARTICLE 20 20.1 The Board of Statutory Auditors consists of three effective auditors; two alternate auditors are also appointed. The Shareholders' Meeting appoints the auditors and determines their compensation. Statutory auditors are chosen from among those who meet the professionalism and honesty requirements indicated in Decree no. 162 of 30 March

in force on gender representation, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number and their number must not be higher than that of the members of the body to be elected. The procedures governed by Article 13.3 of the Bylaws shall apply for the filing, submission and publication of lists. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. Each candidate may run as a candidate on only one list, subject to ineligibility. Lists are broken into two sections: the first for candidates to the office of effective auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the register of statutory auditors and must have a minimum of three years' experience as an auditor.	2000 of the Ministry of Justice. Issues set forth in this decree which relate strictly to the Company's activity include: commercial law, business economics and business finance. Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector. 20.2 Statutory auditors may assume offices as members of management and control bodies of other companies within the limits set by Consob in its regulations, except for the posts referred to in Article 13.3 of these Bylaws. 20.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number and their number must not be higher than that of the members of the body to be elected. The procedures governed by Article 13.3 of the Bylaws shall apply for the filing, submission and publication of lists. Each shareholder may submit or be involved in submitting only one list and may vote on

In order to comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of effective auditors, in accordance with the notice of call of the Shareholders' Meeting. If the alternate auditor section of these lists contains two candidates, there must be one of each gender. Two effective auditors and one alternate auditor are taken from the list that wins the majority of the votes. The other effective auditor and the other alternate auditor are appointed pursuant to Article 13.5 letter b), which shall be applied separately to each of the sections into which the other lists are broken down. The Shareholders' Meeting appoints as Chairman of the Board of Statutory Auditors the effective auditor appointed pursuant to Article 13.5 letter b). If according to the above mentioned procedure it is not possible to ensure the compliance with the law on gender representation for the effective auditors, the quotient of votes to be attributed to each candidate taken from the effective auditor	only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. Each candidate may run as a candidate on only one list, subject to ineligibility. Lists are broken into two sections: the first for candidates to the office of effective auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the register of statutory auditors and must have a minimum of three years' experience as an auditor. In order to comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of effective auditors, in accordance with the notice of call of the Shareholders' Meeting. If the alternate auditor section of these lists contains two candidates, there must be one of each gender. Two effective auditors and one alternate auditor are taken from the list that wins the

sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same effective auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor he/she has just been replaced by). If this procedure fails to ensure the compliance with the law on gender representation, the candidate is replaced by the person appointed by the Shareholders' Meeting with the majority of votes set by the law, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and with the Bylaws. Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of Statutory Auditors has been taken shall be replaced, or, if these numbers of Statutory Auditors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest	majority of the votes. The other effective auditor and the other alternate auditor are appointed pursuant to Article 13.5 letter b), which shall be applied separately to each of the sections into which the other lists are broken down. The Shareholders' Meeting appoints as Chairman of the Board of Statutory Auditors the effective auditor appointed pursuant to Article 13.5 letter b). If according to the above mentioned procedure it is not possible to ensure the compliance with the law on gender representation for the effective auditors, the quotient of votes to be attributed to each candidate taken from the effective auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same effective auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor he/she has just been

votes in a dedicated resolution by the Shareholders' Meeting shall be replaced. For the appointment of Statutory Auditors not appointed for any reason according to the above mentioned procedures, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Statutory Auditors complies both with the law and the Bylaws. In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is succeeded by the alternate auditor from the those lists. If the replacement fails to ensure the compliance with the law on gender representation, a Shareholders' Meeting must be called as soon as possible to this end. The list voting procedure applies only for the replacement of the entire Board of Statutory Auditors. Additional binding legal provisions, including regulatory rules, remain unchanged. 20.4 Outgoing statutory auditors may be re-elected. 20.5 Upon notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of	replaced by). If this procedure fails to ensure the compliance with the law on gender representation, the candidate is replaced by the person appointed by the Shareholders' Meeting with the majority of votes set by the law, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and with the Bylaws. Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of Statutory Auditors has been taken shall be replaced, or, if these numbers of Statutory Auditors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced. For the appointment of Statutory Auditors not appointed for any reason according to the above mentioned procedures, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Statutory Auditors complies both with the law and the Bylaws. In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is

Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member of the Board of Statutory Auditors; power to call Shareholders' Meetings must be exercised by at least two members of the Board.	succeeded by the alternate auditor from the those lists. If the replacement fails to ensure the compliance with the law on gender representation, a Shareholders' Meeting must be called as soon as possible to this end.
20.6 The Board of Statutory Auditors may meet via conference call or videoconferencing, providing that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. A session is considered held if it takes place where the Chairman of the Board of Statutory Auditors and the Secretary, if appointed, are located.	The list voting procedure applies only for the replacement of the entire Board of Statutory Auditors. Additional binding legal provisions, including regulatory rules, remain unchanged.
Chapter VI – FINANCIAL STATEMENT, PROFITS AND DIVIDENDS	20.4 Outgoing statutory auditors may be re-elected.
ARTICLE 21	20.5 Upon notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member of the Board of Statutory Auditors; power to call Shareholders' Meetings must be exercised by at least two members of the Board.
21.1 The Company's financial year runs from 1 January to 31 December of each year.	20.6 The Board of Statutory Auditors may meet via conference call or videoconferencing, providing that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate
At the end of each financial year the Board of Directors prepares the financial statements as required by law.	
21.2 The net profit shown in the financial statements and properly approved will be	

distributed:

- up to 5% to legal reserves until this reaches the limit set by law;
- the remainder will be distributed to shares, except as otherwise resolved by the Shareholders' Meeting.

Dividends not collected within five years of the date on which they became payable revert to the Company.

The Board of Directors may agree a dividend payment on account in the course of financial year.

Chapter VII – LIQUIDATION AND WIND-UP

ARTICLE 22

22.1 The liquidation and wind-up of the Company is governed by the relevant laws.

Chapter VIII – GENERAL PROVISIONS

ARTICLE 23

23.1 All matters not expressly covered or not otherwise regulated by the Bylaws are governed by provisions of law.

in real time in the discussions. A session is considered held if it takes place where the Chairman of the Board of Statutory Auditors and the Secretary, if appointed, are located.

Chaper VI – FINANCIAL STATEMENT, PROFITS AND DIVIDENDS

ARTICLE 21

21.1 The Company's financial year runs from 1 January to 31 December of each year.

At the end of each financial year the Board of Directors prepares the financial statements as required by law.

21.2 The net profit shown in the financial statements and properly approved will be distributed:

- up to 5% to legal reserves until this reaches the limit set by law;
- the remainder will be distributed to shares, except as otherwise resolved by the Shareholders' Meeting.

Dividends not collected within five years of the date on which they became payable revert to the Company.

The Board of Directors may agree a dividend payment on account in the course of financial year.

	Chaper VII – LIQUIDATION AND WIND-UP ARTICLE 22 22.1 The liquidation and wind-up of the Company is governed by the relevant laws. **Chaper VIII GENERAL PROVISIONS** ARTICLE 23 23.1 All matters not expressly covered or not otherwise regulated by the Bylaws are governed by provisions of law.

SNAM S.p.A. BYLAWS	SNAM S.p.A. BYLAWS
Chapter I- ESTABLISHMENT AND CORPORATE PURPOSE	**Chapter I- ESTABLISHMENT AND CORPORATE PURPOSE**
ARTICLE 1	ARTICLE 1
1.1 The Company **"Snam S.p.A."** is governed by these Bylaws. The name may be written in any font in either upper or lower case letters.	1.1 The Company **"Snam S.p.A."** is governed by these Bylaws. The name may be written in any font in either upper or lower case letters.
ARTICLE 2	ARTICLE 2
2.1 The corporate purpose is to exercise, directly or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated activities involving transportation, dispatching, distribution, regasification and storage of hydrocarbons, as well as any other economic activity that is linked through whatever degree of importance to one or more of the activities mentioned above, including the production of hydrocarbons associated with activities for storage thereof, the storage of other gases, the activity of energy metering, as well as the management of organised gas markets; all in observance of the concessions provided for by law.	2.1 The corporate purpose is to exercise, directly or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated activities involving transportation, dispatching, distribution, regasification and storage of hydrocarbons, as well as any other economic activity that is linked through whatever degree of importance to one or more of the activities mentioned above, including the production of hydrocarbons associated with activities for storage thereof, the storage of other gases, the activity of energy metering, as well as the management of organised gas markets; all in observance of the concessions provided for by law.

2.2 In pursuance of the corporate purpose and instrumental thereto, the Company:	2.2 In pursuance of the corporate purpose and instrumental thereto, the Company:
– may take all actions necessary or appropriate for the achievement of the corporate purpose, by way of example, industrial, commercial, securities, property and financial operations, as assets or liabilities, and any activity that is connected to the achievement of the corporate purpose, including technical and scientific research – the acquisition of technical patents related to activities developed and the activities of the study, design, construction, acquisition, management and operation of complex systems of transportation, transportation infrastructure, information technology and telecommunications, with the exception of the collection of public savings and the performance of activities regulated by law on financial intermediation;	– may take all actions necessary or appropriate for the achievement of the corporate purpose, by way of example, industrial, commercial, securities, property and financial operations, as assets or liabilities, and any activity that is connected to the achievement of the corporate purpose, including technical and scientific research – the acquisition of technical patents related to activities developed and the activities of the study, design, construction, acquisition, management and operation of complex systems of transportation, transportation infrastructure, information technology and telecommunications, with the exception of the collection of public savings and the performance of activities regulated by law on financial intermediation;
– shall undertake the technical, industrial and financial coordination of subsidiaries and the provision of the appropriate financial assistance and services by	– shall undertake the technical, industrial and financial coordination of subsidiaries and the provision of the appropriate financial assistance and services by

those required; – may engage in activities connected with the protection and restoration of the environment and land conservation; – in its operations will uphold the principles of equal treatment of shippers, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the Law. In particular, the Company, in accordance with the principles of cost-effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate purpose with the intention of promoting competition, efficiency and the appropriate levels of quality in providing services. To this end: • guarantees impartiality in the management of essential infrastructures for the development of a free energy market;	those required; – may engage in activities connected with the protection and restoration of the environment and land conservation; – in its operations will uphold the principles of equal treatment of shippers, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the Law. In particular, the Company, in accordance with the principles of cost-effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate purpose with the intention of promoting competition, efficiency and the appropriate levels of quality in providing services. To this end: • guarantees impartiality in the management of essential infrastructures for the development of a free energy market;

• prevents discrimination in the access to commercially sensitive information; • prevents the exchange of resources between segments of the supply chains.	• prevents discrimination in the access to commercially sensitive information; • prevents the exchange of resources between segments of the supply chains.
ARTICLE 3	ARTICLE 3
3.1 The Company's head office is in San Donato Milanese, Milan, Piazza Santa Barbara 7.	3.1 The Company's head office is in San Donato Milanese, Milan, Piazza Santa Barbara 7.
3.2 Additional offices, branches, agencies, subsidiaries and representative offices may be established or wound up in Italy and abroad.	3.2 Additional offices, branches, agencies, subsidiaries and representative offices may be established or wound up in Italy and abroad.
ARTICLE 4	ARTICLE 4
4.1 The duration of the Company is until 31 December 2100 and may be extended one or more times, by resolution of the Shareholders' Meeting.	4.1 The duration of the Company is until 31 December 2100 and may be extended one or more times, by resolution of the Shareholders' Meeting.
Chapter II– SHARE CAPITAL OF THE COMPANY	**Chapter II– SHARE CAPITAL OF THE COMPANY**
ARTICLE 5	ARTICLE 5
5.1 The share capital amounts to €3,696,851,994.00 (three billion, six hundred ninety-six million, eight hundred fifty one thousand, nine	5.1 The share capital amounts to €2.735.670.475,56 (two billion, seven hundred thirty-five million, six hundred seventy thousand, four hundred seventy

hundred ninety four point zero zero), divided into no. 3,500,638,294 (three billion, five hundred million, six hundred thirty eight thousand, two hundred ninety-four) shares with no indication of nominal value.	five point fifty six), divided into no. 3,500,638,294 (three billion, five hundred million, six hundred thirty eight thousand, two hundred ninety-four hundred) shares with no par value~~The share capital amounts to €3,696,851,994.00 (three billion, six hundred ninety-six million, eight hundred fifty-one thousand, nine hundred ninety four point zero zero), divided into no. 3,500,638,294 (three billion, five hundred million, six hundred thirty eight thousand, two hundred ninety-four) shares with no indication of nominal value~~.
5.2 The Shareholders' Meeting may decide to increase capital by imposing terms, conditions and procedures. The capital may be increased: with in-kind contributions and credits and by issuing new shares, including special categories, to be allocated for free under Article 2349 of the Italian Civil Code.	5.2 The Shareholders' Meeting may decide to increase capital by imposing terms, conditions and procedures. The capital may be increased: with in-kind contributions and credits and by issuing new shares, including special categories, to be allocated for free under Article 2349 of the Italian Civil Code.
ARTICLE 6	ARTICLE 6
6.1 The shares are registered and may not be split. Each share carries the right to one vote.	6.1 The shares are registered and may not be split. Each share carries the right to one vote.
6.2 Where a share is jointly owned, the shareholders' rights are exercised by a single representative. The provisions regarding representation, legitimation and circulation of the shares envisaged for shares traded on regulated markets are confirmed.	6.2 Where a share is jointly owned, the shareholders' rights are exercised by a
6.3 Payments on shares shall be requested by the Board of Directors on one or more occasions. Default interest on late	

payments shall be charged at the legal rate of interest and Article 2344 of the Italian Civil Code applies.	single representative. The provisions regarding representation, legitimation and circulation of the shares envisaged for shares traded on regulated markets are confirmed.
6.4 Withdrawal shall be allowed only in those cases envisaged in compulsory provisions of law and in any case, shall not be permitted in the case of extension of the duration, as well introduction, modification or removal of constraints regarding the circulation of shares.	6.3 Payments on shares shall be requested by the Board of Directors on one or more occasions. Default interest on late payments shall be charged at the legal rate of interest and Article 2344 of the Italian Civil Code applies.
6.5 Shareholder status, in and of itself, implies the unconditional adherence to these Bylaws.	6.4 Withdrawal shall be allowed only in those cases envisaged in compulsory provisions of law and in any case, shall not be permitted in the case of extension of the duration, as well introduction, modification or removal of constraints regarding the circulation of shares.
6.6 The domicile of shareholders, other parties with voting rights, directors, auditors and the statutory audit Company, for the purposes of their relations with the Company, is the one indicated in the corporate books or in subsequent notifications sent by said persons.	6.5 Shareholder status, in and of itself, implies the unconditional adherence to these Bylaws.
ARTICLE 7	6.6 The domicile of shareholders, other parties with voting rights, directors, auditors and the statutory audit Company, for the purposes of their relations with the Company, is the one indicated in the corporate books or in subsequent notifications sent by said persons.
7.1 The Company may issue bonds, including convertible bonds or warrant bonds and other certificates of indebtedness in the correct legal forms.	
Chapter III – SHAREHO L DERS' ME E T ING	

ARTICLE 8	ARTICLE 7
8.1 Shareholders' Meetings shall be either ordinary or extraordinary.	7.1 The Company may issue bonds, including convertible bonds or warrant bonds and other certificates of indebtedness in the correct legal forms.
8.2 The ordinary Shareholders' Meeting shall be called to approve the financial statements at least once a year, within 180 days of the closing of the financial year, since the Company is required to prepare consolidated financial statements.	**Chapter III – SHAREHO L DERS' ME E T ING**
8.3 Shareholders' Meetings shall be held in Italy.	ARTICLE 8
ARTICLE 9	8.1 Shareholders' Meetings shall be either ordinary or extraordinary.
9.1 The Shareholders' Meeting shall be convened by notice published in terms and manner prescribed by current legislation. Shareholders' meetings shall be convened in a single call only.	8.2 The ordinary Shareholders' Meeting shall be called to approve the financial statements at least once a year, within 180 days of the closing of the financial year, since the Company is required to prepare consolidated financial statements.
ARTICLE 10	8.3 Shareholders' Meetings shall be held in Italy.
10.1 Participation in the Shareholders' Meeting is governed by provisions of law, by the Bylaws and by the provisions contained in the notice of call of the Meeting.	ARTICLE 9
10.2 The legitimisation of participation in the Shareholders' Meeting is governed by the provisions of the law. Those with voting	9.1 The Shareholders' Meeting shall be convened by notice published in terms and manner prescribed by current legislation. Shareholders' meetings shall be convened in a single call only.
	ARTICLE 10

rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company.	10.1 Participation in the Shareholders' Meeting is governed by provisions of law, by the Bylaws and by the provisions contained in the notice of call of the Meeting.
10.3 The Company shall provide space to enable associations of shareholders who fulfil the relevant legal requirements under the terms and conditions agreed upon with their legal representatives from time to time to post notices and to collect proxies on behalf of shareholders who are employees of the Company or its subsidiaries.	10.2 The legitimisation of participation in the Shareholders' Meeting is governed by the provisions of the law. Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company.
10.4 It is the duty of the Chairman of the Shareholders' Meeting to ensure the validity of proxies and the right to participation in the Shareholders' Meeting.	10.3 The Company shall provide space to enable associations of shareholders who fulfil the relevant legal requirements under the terms and conditions agreed upon with their legal representatives from time to time to post notices and to collect proxies on behalf of shareholders who are employees of the Company or its subsidiaries.
10.5 The conduct of Shareholders' Meetings is governed by meeting regulations approved by the ordinary Shareholders' Meeting.	10.4 It is the duty of the Chairman of the Shareholders' Meeting to ensure the validity of proxies and the right to participation in the Shareholders' Meeting.
ARTICLE 11	10.5 The conduct of Shareholders' Meetings is governed by meeting regulations
11.1 The Shareholders' Meeting, legally convened and constituted, represents all the shareholders. Its decisions are binding on all the shareholders even if	

they did not participate in the Meetings, or abstained or voted against them.	approved by the ordinary Shareholders' Meeting.
11.2 The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the person appointed by a majority of the shareholders present.	ARTICLE 11
11.3 The Shareholders' Meeting appoints a Secretary, who need not be a shareholder.	11.1 The Shareholders' Meeting, legally convened and constituted, represents all the shareholders. Its decisions are binding on all the shareholders even if they did not participate in the Meetings, or abstained or voted against them.
11.4 The minutes of the Shareholders' Meeting are written by the Secretary and signed by the Secretary and the Chairman; the minutes of the extraordinary Shareholders' Meetings are written by a notary and signed by the Chairman.	11.2 The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the person appointed by a majority of the shareholders present.
The copies of the minutes certified as correct by their writer and the Chairman constitute the legal record.	11.3 The Shareholders' Meeting appoints a Secretary, who need not be a shareholder.
ARTICLE 12	11.4 The minutes of the Shareholders' Meeting are written by the Secretary and signed by the Secretary and the Chairman; the minutes of the extraordinary Shareholders' Meetings are written by a notary and signed by the Chairman.
12.1 The validity of the formation of Shareholders' Meetings is established by law.	The copies of the minutes certified as correct by their writer and the Chairman constitute the legal record.
12.2 The Ordinary Shareholders' Meeting authorises resolutions concerning disposal, contribution, leasing, usufruct and any other act of disposition,	ARTICLE 12

including those that apply to joint ventures, or subject to business restrictions or strategically relevant business units involving gas transportation or dispatching activity, notwithstanding the directors' responsibility for the acts carried out, pursuant to Article 2364 no. 5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three-fourths of the capital present at the meeting.	12.1 The validity of the formation of Shareholders' Meetings is established by law.
12.3 For other matters within its powers, the ordinary Shareholders' Meeting decides with the majorities set by law.	12.2 The Ordinary Shareholders' Meeting authorises resolutions concerning disposal, contribution, leasing, usufruct and any other act of disposition, including those that apply to joint ventures, or subject to business restrictions or strategically relevant business units involving gas transportation or dispatching activity, notwithstanding the directors' responsibility for the acts carried out, pursuant to Article 2364 no. 5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three-fourths of the capital present at the meeting.
12.4 The extraordinary Shareholders' Meeting resolves with a majority of at least three-fourths of the capital present at the meeting.	12.3 For other matters within its powers, the ordinary Shareholders' Meeting decides with the majorities set by law.
12.5 The Board of Directors is responsible for passing resolution on the following issues: – a merger in the cases envisaged in Articles 2505 and 2505-*bis* of the Italian Civil Code, also in the case of de-merger; – opening, modification and closure	12.4 The extraordinary Shareholders' Meeting resolves with a majority of at least three-fourths of the capital present at the meeting. 12.5 The Board of Directors is responsible for passing resolution on the following

of additional offices; – reduction of the share capital in the case of withdrawal of shareholders; – amendments of Bylaws to comply with legislative provisions; – transfer of the company's registered office within the domestic territory. **Chapter IV – BOARD OF DIRECTORS** ARTICLE 13 13.1 The Company is managed by a Board of Directors made up of no less than five members and no more than nine; their number and their term of office are established by the Shareholders' Meeting at the time of appointment. 13.2 Directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term of office; they may be re-elected. 13.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Directors is appointed by the Shareholders' Meeting based on the lists	issues: – a merger in the cases envisaged in Articles 2505 and 2505-*bis* of the Italian Civil Code, also in the case of de-merger; – opening, modification and closure of additional offices; – reduction of the share capital in the case of withdrawal of shareholders; – amendments of Bylaws to comply with legislative provisions; – transfer of the company's registered office within the domestic territory. **Chapter IV – BOARD OF DIRECTORS** ARTICLE 13 13.1 The Company is managed by a Board of Directors made up of no less than five members and no more than nine; their number and their term of office are established by the Shareholders' Meeting at the time of appointment. 13.2 Directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the

submitted by the shareholders. In these lists, the candidates must be listed by consecutive number. Lists are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public by the methods provided for by law and by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Each candidate may run as a candidate on only one list, subject to ineligibility. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. The ownership of the minimum percentage necessary for the submission of lists is determined considering the shares registered in the shareholder's favour on the date on which the lists are filed at the Company. For purposes of corroborating ownership of the number of shares necessary for the	last year of their term of office; they may be re-elected. 13.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Directors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number. Lists are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public by the methods provided for by law and by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Each candidate may run as a candidate on only one list, subject to ineligibility. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. The ownership of the

submission of lists, shareholders must produce the respective certification issued in accordance with the law by authorised intermediaries by the deadline provided for publication of the lists by the Company. If there are no more than seven directors on the board, at least one must satisfy the independence criteria established for auditors of listed companies; however, with more than seven directors on the board, at least three must satisfy the independence criteria. Candidates meeting the aforesaid independence requirements must be specifically identified on the lists. Pursuant to the Prime Minister's Decree of 25 May 2012 laying down the "Criteria, conditions and arrangements for the adoption of the Snam S.p.A. unbundling model pursuant to Article 15 of Law 27 of 24 March 2012", directors may not sit on the administrative board or supervisory board nor hold office in eni S.p.A. or its subsidiaries, nor deal directly or indirectly, on a professional or financial basis, with such companies. All candidates must also meet the honesty requirements provided for by current provisions. In order to comply with applicable regulations on gender representation, in the lists containing three or more candidates, candidates of each	minimum percentage necessary for the submission of lists is determined considering the shares registered in the shareholder's favour on the date on which the lists are filed at the Company. For purposes of corroborating ownership of the number of shares necessary for the submission of lists, shareholders must produce the respective certification issued in accordance with the law by authorised intermediaries by the deadline provided for publication of the lists by the Company. If there are no more than seven directors on the board, at least one must satisfy the independence criteria established for auditors of listed companies; however, with more than seven directors on the board, at least three must satisfy the independence criteria. Candidates meeting the aforesaid independence requirements must be specifically identified on the lists. Pursuant to the Prime Minister's Decree of 25 May 2012 laying down the "Criteria, conditions and arrangements for the adoption of the Snam S.p.A. unbundling model pursuant to Article 15 of Law 27 of 24 March 2012", directors may not sit on the administrative board or supervisory board nor hold office in eni S.p.A. or its subsidiaries, nor deal directly or indirectly, on a professional or

gender shall be present, in accordance with the notice of call of the Shareholders' Meeting. Where the number of the least represented gender must, by law, be at least three, the presented lists for the appointment of the majority of the Board of Directors' members must include at least two candidates of the least represented gender. Together with each list, subject to its admissibility, a curriculum vitae must be filed for each candidate as well as the candidates' statements accepting their candidacy and certifying, under their own cognisance, the lack of grounds for ineligibility or incompatibility, as well as the fact that they satisfy the honesty and possible independence requirements. The directors appointed must inform the Company of any loss of the independence and honesty requirements, as well as the occurrence of causes of ineligibility or incompatibility. 13.4 The Board shall periodically evaluate the independence and honesty of the directors, as well as the lack of grounds for ineligibility or incompatibility. In the event a director does not meet or ceases to meet the independence or honesty requirements declared or legally required, or if grounds for ineligibility or	financial basis, with such companies. All candidates must also meet the honesty requirements provided for by current provisions. In order to comply with applicable regulations on gender representation, in the lists containing three or more candidates, candidates of each gender shall be present, in accordance with the notice of call of the Shareholders' Meeting. Where the number of the least represented gender must, by law, be at least three, the presented lists for the appointment of the majority of the Board of Directors' members must include at least two candidates of the least represented gender. Together with each list, subject to its admissibility, a curriculum vitae must be filed for each candidate as well as the candidates' statements accepting their candidacy and certifying, under their own cognisance, the lack of grounds for ineligibility or incompatibility, as well as the fact that they satisfy the honesty and possible independence requirements. The directors appointed must inform the Company of any loss of the independence and honesty requirements, as well as the occurrence of causes of ineligibility or incompatibility. 13.4 The Board shall periodically evaluate the

incompatibility should exist, the Board shall dismiss the director and replace him/her or ask him/her to desist from the reason of incompatibility within a pre-determined time period, else face dismissal from office.	independence and honesty of the directors, as well as the lack of grounds for ineligibility or incompatibility. In the event a director does not meet or ceases to meet the independence or honesty requirements declared or legally required, or if grounds for ineligibility or incompatibility should exist, the Board shall dismiss the director and replace him/her or ask him/her to desist from the reason of incompatibility within a pre-determined time period, else face dismissal from office.
13.5 Directors shall be elected as follows:	13.5 Directors shall be elected as follows:
a) seven tenths of the directors to be elected shall be taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal;	a) seven tenths of the directors to be elected shall be taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal;
b) the remaining directors shall be taken from the other lists, which may not be associated in any way, even indirectly, to shareholders who have submitted or voted for the list which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one, two or three, depending on the consecutive number of directors to be elected. The quotients thus	b) the remaining directors shall be taken from the other lists, which may not be associated in any way, even indirectly, to shareholders who have submitted or voted for the list

obtained shall be assigned progressively to candidates from each of these lists, according to the order shown in them. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list which has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected;	which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one, two or three, depending on the consecutive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown in them. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list which has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied,
c) if, after following the procedure	

described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate is taken from the lists, dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the very lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by people who meet the independence criteria and appointed in accordance with the procedure mentioned in letter d). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, if these numbers of directors are the	a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected; c) if, after following the procedure described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate is taken from the lists, dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the very lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by people who meet the independence criteria and appointed in accordance with the procedure mentioned in letter d). If candidates taken

same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;	from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;
c-*bis*) notwithstanding the procedure described in letters a) and b) above it is not possible to comply with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding the compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the	c-*bis*) notwithstanding the procedure described in letters a) and b) above it is not possible to comply with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced,

replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned in letter d). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;	notwithstanding the compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned in letter d). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;
d) for the appointment of directors not appointed for any reason by the above procedure, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Directors is consistent both with the law and with the Bylaws.	d) for the appointment of directors not appointed for any reason by the above procedure, the
Additional binding legal provisions, including	

regulatory rules, remain unchanged. 13.6 The list voting mechanism applies only for the replacement of the entire Board of Directors. 13.7 Even during its term of office, the Shareholders' Meeting may change the number of directors, provided it is within the limit set forth in paragraph one of this Article, respective appointments in accordance with the procedures set forth in Article 13.5 lett. d), above. The term of office of directors thus elected shall expire with those in office. 13.8 If, during the financial year, the office of one or more directors should be vacated, Article 2386 of the Italian Civil Code shall be applied. Compliance with the minimum number of independent directors and with the applicable law on gender representation must in any case be ensured. If the majority of directors should vacate their offices, the entire Board of Directors shall be understood to resign, and the Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it. 13.9 The Board of Directors may form internal committees charged with	Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Directors is consistent both with the law and with the Bylaws. Additional binding legal provisions, including regulatory rules, remain unchanged. 13.6 The list voting mechanism applies only for the replacement of the entire Board of Directors. 13.7 Even during its term of office, the Shareholders' Meeting may change the number of directors, provided it is within the limit set forth in paragraph one of this Article, respective appointments in accordance with the procedures set forth in Article 13.5 lett. d), above. The term of office of directors thus elected shall expire with those in office. 13.8 If, during the financial year, the office of one or more directors should be vacated, Article 2386 of the Italian Civil Code shall be applied. Compliance with the minimum number of independent directors and with the applicable law on gender representation must in any case be ensured.

consultative and advisory duties on specific matters.	If the majority of directors should vacate their offices, the entire Board of Directors shall be understood to resign, and the Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.
ARTICLE 14	13.9 The Board of Directors may form internal committees charged with consultative and advisory duties on specific matters.
14.1 The Board of Directors may appoint the Chairman from among its members if the Shareholders' Meeting has not already done so, as well as the Secretary, who need not be a Board Director.	ARTICLE 14
The Chairman:	14.1 The Board of Directors may appoint the Chairman from among its members if the Shareholders' Meeting has not already done so, as well as the Secretary, who need not be a Board Director.
– represents the Company pursuant to Article 19 of these Bylaws;	The Chairman:
– chairs Shareholders' Meetings, exercising the functions envisaged in law and in the Shareholders' Meeting regulation;	– represents the Company pursuant to Article 19 of these Bylaws;
– calls and chairs Board of Directors' meetings, prepares the agenda and coordinates its tasks;	– chairs Shareholders' Meetings, exercising the functions envisaged in law and in the Shareholders' Meeting regulation;
– arranges for adequate information about the topics on the agenda to be provided to the directors.	– calls and chairs Board of Directors' meetings, prepares the agenda and coordinates its tasks;
ARTICLE 15	– arranges for adequate information about the topics on the agenda to be
15.1 The Board of Directors is convened by the Chairman – or, in his absence or impediment, by the Chief Executive Officer, or, finally, in his absence or	

impediment, by the eldest board member– whenever he deems suitable or when at least two Board members request a meeting of the Board in writing. The request must indicate the reasons for convening the Board.	provided to the directors.
15.2 The Board of Directors meets in the location indicated in the notice of call. The notice is usually sent at least five days before the meeting. The Board of Directors' meetings may be held via conference call or video conference on condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting is considered as having taken place where the Chairman of the meeting and Secretary are located. The Board of Directors shall define additional terms and procedures for convening of its meetings.	ARTICLE 15 15.1 The Board of Directors is convened by the Chairman – or, in his absence or impediment, by the Chief Executive Officer, or, finally, in his absence or impediment, by the eldest board member– whenever he deems suitable or when at least two Board members request a meeting of the Board in writing. The request must indicate the reasons for convening the Board.
15.3 The meetings of the Board of Directors shall be chaired by the Chairman or in his absence or impediment, the Chief Executive Officer or, finally, in case of absence or inability to attend of the latter, by the eldest Board member present.	15.2 The Board of Directors meets in the location indicated in the notice of call. The notice is usually sent at least five days before the meeting. The Board of Directors' meetings may be held via conference call or video conference on condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting is considered as having taken place where the Chairman of the meeting and Secretary are located. The Board of Directors shall define additional terms and procedures for convening of its meetings.

ARTICLE 16 16.1 The Board of Directors is invested with full powers for ordinary and extraordinary management of the Company and, in particular, may take all actions it deems necessary for the implementation and achievement of the corporate purpose, excluding only acts that the law or these Bylaws reserve to the Shareholders' Meeting. The Board of Directors may delegate its powers to one or more of its members, determining the limits of delegation pursuant to Article 2381 of the Civil Code and appointing the Chief Executive Officer. The Board of Directors may, in any case, issue directives to the Chief Executive Officer and re-assume responsibility for activities delegated. The Board of Directors may also revoke the powers granted at any time, proceeding, in the event of revocation of the powers delegated to the Chief Executive Officer, to appoint a new Chief Executive Officer. The Board of Directors may also establish committees, deciding on their powers and their number of members. The Board, upon proposal of the Chairman, in consultation with the Chief Executive Officer,	15.3 The meetings of the Board of Directors shall be chaired by the Chairman or in his absence or impediment, the Chief Executive Officer or, finally, in case of absence or inability to attend of the latter, by the eldest Board member present. ARTICLE 16 16.1 The Board of Directors is invested with full powers for ordinary and extraordinary management of the Company and, in particular, may take all actions it deems necessary for the implementation and achievement of the corporate purpose, excluding only acts that the law or these Bylaws reserve to the Shareholders' Meeting. The Board of Directors may delegate its powers to one or more of its members, determining the limits of delegation pursuant to Article 2381 of the Civil Code and appointing the Chief Executive Officer. The Board of Directors may, in any case, issue directives to the Chief Executive Officer and re-assume responsibility for activities delegated. The Board of Directors may also revoke the powers granted at any time, proceeding, in the event of revocation of the powers delegated to the Chief Executive Officer, to appoint a new

may confer powers for single acts or categories of acts to other members of the Board of Directors. The Chairman and the Chief Executive Officer, within the powers to them conferred, may give proxies and powers of attorney of the Company, for single acts or categories of acts, to employees of the Company and also third parties. 16.2 The Board of Directors may appoint, as proposed by the Chief Executive Officer, upon agreement with the Chairman, one or more General Managers, defining their powers, subject to verification that they satisfy the legally prescribed integrity requirements. These persons may not hold the posts indicated in Article 13.3 of these Bylaws. The Board of Directors shall periodically evaluate the integrity and the absence of incompatibility of the General Managers. Failure to satisfy the requirements shall result in removal from the position. 16.3 On the occasion of meetings and at least quarterly, the Chairman or any directors granted powers pursuant to this Article shall report to the Board of Directors and the Board of Statutory Auditors on the subsidiaries, overall progress, foreseeable trends, significant economic,	Chief Executive Officer. The Board of Directors may also establish committees, deciding on their powers and their number of members. The Board, upon proposal of the Chairman, in consultation with the Chief Executive Officer, may confer powers for single acts or categories of acts to other members of the Board of Directors. The Chairman and the Chief Executive Officer, within the powers to them conferred, may give proxies and powers of attorney of the Company, for single acts or categories of acts, to employees of the Company and also third parties. 16.2 The Board of Directors may appoint, as proposed by the Chief Executive Officer, upon agreement with the Chairman, one or more General Managers, defining their powers, subject to verification that they satisfy the legally prescribed integrity requirements. These persons may not hold the posts indicated in Article 13.3 of these Bylaws. The Board of Directors shall periodically evaluate the integrity and the absence of incompatibility of the General Managers. Failure to satisfy the requirements shall result in removal from the position.

financial or asset-related transactions, paying special attention to transactions in which they have an interest either on their own behalf or on behalf of third parties or transactions which are influenced by any party involved in management and oversight.	16.3 On the occasion of meetings and at least quarterly, the Chairman or any directors granted powers pursuant to this Article shall report to the Board of Directors and the Board of Statutory Auditors on the subsidiaries, overall progress, foreseeable trends, significant economic, financial or asset-related transactions, paying special attention to transactions in which they have an interest either on their own behalf or on behalf of third parties or transactions which are influenced by any party involved in management and oversight.
16.4 The Board of Directors, as proposed by the Chief Executive Officer and upon agreement with the Chairman, subject to prior approval by the Board of Statutory Auditors, shall appoint the Officer in charge of preparing financial reports from among those who satisfy the requirements of professionalism specified below.	16.4 The Board of Directors, as proposed by the Chief Executive Officer and upon agreement with the Chairman, subject to prior approval by the Board of Statutory Auditors, shall appoint the Officer in charge of preparing financial reports from among those who satisfy the requirements of professionalism specified below.
The Officer in charge of preparing financial reports must be chosen from among people who do not hold any of the posts referred to in Article 13.3 of these Bylaws and who have performed the following activities for at least three years:	The Officer in charge of preparing financial reports must be chosen from among people who do not hold any of the posts referred to in Article 13.3 of these Bylaws and who have performed the following activities for at least three years:
a) director, control or management activity at a company listed on regulated markets in Italy, other states of the European Union or other countries belonging to the OECD which have a share capital of no less than €2 million, or	a) director, control or management

b) audit activity at the companies mentioned under letter a), or c) professional or university teaching activity in finance or accounting, or d) managerial functions at public or private entities with financial, accounting or control responsibilities. The Board of Directors shall ensure that the Officer in charge of preparing financial reports is endowed with adequate powers and means to perform his duties and shall ascertain that the company's administrative and accounting procedures are effectively applied. ARTICLE 17 17.1 A Board of Directors meeting is valid if present a majority of members is present. 17.2 Resolutions are adopted by a simple majority of members present and, in the event of a tie, by the meeting chairman's casting vote. 17.3 The minutes of the board meetings are written by the Secretary of the Board of Directors and signed by the Chairman of the meeting and the Secretary. 17.4 Copies of minutes certified by the	activity at a company listed on regulated markets in Italy, other states of the European Union or other countries belonging to the OECD which have a share capital of no less than €2 million, or b) audit activity at the companies mentioned under letter a), or c) professional or university teaching activity in finance or accounting, or d) managerial functions at public or private entities with financial, accounting or control responsibilities. The Board of Directors shall ensure that the Officer in charge of preparing financial reports is endowed with adequate powers and means to perform his duties and shall ascertain that the company's administrative and accounting procedures are effectively applied. ARTICLE 17 17.1 A Board of Directors meeting is valid if present a majority of members is present. 17.2 Resolutions are adopted by a simple majority of members present and, in the

Chairman of the meeting and the Secretary of the Board of Directors are valid for legal purposes.	event of a tie, by the meeting chairman's casting vote.
ARTICLE 18	17.3 The minutes of the board meetings are written by the Secretary of the Board of Directors and signed by the Chairman of the meeting and the Secretary.
18.1 Board members are entitled to remuneration on an annual basis and for the duration of their office as set by the ordinary Shareholders' Meeting when they were appointed; the remuneration so defined is valid until such time as the Shareholders' Meeting decides otherwise. Board members also receive reimbursement for expenses arising from their duties.	17.4 Copies of minutes certified by the Chairman of the meeting and the Secretary of the Board of Directors are valid for legal purposes.
18.2 Board members with specific duties receive remuneration set by the Board of Directors following the opinion of the Board of Statutory Auditors.	ARTICLE 18
ARTICLE 19	18.1 Board members are entitled to remuneration on an annual basis and for the duration of their office as set by the ordinary Shareholders' Meeting when they were appointed; the remuneration so defined is valid until such time as the Shareholders' Meeting decides otherwise. Board members also receive reimbursement for expenses arising from their duties.
19.1 Legal representation of the Company before any judicial or administrative authority and before third parties and signing on behalf of the Company are responsibility of both the Chairman and the Chief Executive Officer.	18.2 Board members with specific duties receive remuneration set by the Board of Directors following the opinion of the Board of Statutory Auditors.
Chapter V – BOARD OF STATUTORY AUDITORS	ARTICLE 19
	19.1 Legal representation of the Company

ARTICLE 20	before any judicial or administrative authority and before third parties and signing on behalf of the Company are responsibility of both the Chairman and the Chief Executive Officer.
20.1 The Board of Statutory Auditors consists of three effective auditors; two alternate auditors are also appointed. The Shareholders' Meeting appoints the auditors and determines their compensation. Statutory auditors are chosen from among those who meet the professionalism and honesty requirements indicated in Decree no. 162 of 30 March 2000 of the Ministry of Justice.	**Chapter V – BOARD OF STATUTORY AUDITORS**
Issues set forth in this decree which relate strictly to the Company's activity include: commercial law, business economics and business finance.	ARTICLE 20
Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector.	20.1 The Board of Statutory Auditors consists of three effective auditors; two alternate auditors are also appointed. The Shareholders' Meeting appoints the auditors and determines their compensation. Statutory auditors are chosen from among those who meet the professionalism and honesty requirements indicated in Decree no. 162 of 30 March 2000 of the Ministry of Justice.
20.2 Statutory auditors may assume offices as members of management and control bodies of other companies within the limits set by Consob in its regulations, except for the posts referred to in Article 13.3 of these Bylaws.	Issues set forth in this decree which relate strictly to the Company's activity include: commercial law, business economics and business finance.
20.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on	Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector.
	20.2 Statutory auditors may assume offices as members of management and control

the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number and their number must not be higher than that of the members of the body to be elected. The procedures governed by Article 13.3 of the Bylaws shall apply for the filing, submission and publication of lists. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. Each candidate may run as a candidate on only one list, subject to ineligibility. Lists are broken into two sections: the first for candidates to the office of effective auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the register of statutory auditors and must have a minimum of three years' experience as an auditor. In order to comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more	bodies of other companies within the limits set by Consob in its regulations, except for the posts referred to in Article 13.3 of these Bylaws. 20.3 Pursuant to the pro tempore provisions in force on gender representation, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists submitted by the shareholders. In these lists, the candidates must be listed by consecutive number and their number must not be higher than that of the members of the body to be elected. The procedures governed by Article 13.3 of the Bylaws shall apply for the filing, submission and publication of lists. Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms provided for by the abovementioned legal and regulatory provisions. Only shareholders who alone or together with other shareholders represent at least 2% or are the owners overall of another percentage of shares stipulated by Consob regulations are entitled to submit lists. Each candidate may run as a candidate on only one list, subject to ineligibility. Lists are broken into two sections: the first for candidates to the office of effective auditor,

candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of effective auditors, in accordance with the notice of call of the Shareholders' Meeting. If the alternate auditor section of these lists contains two candidates, there must be one of each gender. Two effective auditors and one alternate auditor are taken from the list that wins the majority of the votes. The other effective auditor and the other alternate auditor are appointed pursuant to Article 13.5 letter b), which shall be applied separately to each of the sections into which the other lists are broken down. The Shareholders' Meeting appoints as Chairman of the Board of Statutory Auditors the effective auditor appointed pursuant to Article 13.5 letter b). If according to the above mentioned procedure it is not possible to ensure the compliance with the law on gender representation for the effective auditors, the quotient of votes to be attributed to each candidate taken from the effective auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of	and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the register of statutory auditors and must have a minimum of three years' experience as an auditor. In order to comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of effective auditors, in accordance with the notice of call of the Shareholders' Meeting. If the alternate auditor section of these lists contains two candidates, there must be one of each gender. Two effective auditors and one alternate auditor are taken from the list that wins the majority of the votes. The other effective auditor and the other alternate auditor are appointed pursuant to Article 13.5 letter b), which shall be applied separately to each of the sections into which the other lists are broken down. The Shareholders' Meeting appoints as Chairman of the Board of Statutory Auditors the effective auditor appointed pursuant to Article 13.5 letter b). If according to the above mentioned

these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same effective auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor he/she has just been replaced by). If this procedure fails to ensure the compliance with the law on gender representation, the candidate is replaced by the person appointed by the Shareholders' Meeting with the majority of votes set by the law, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and with the Bylaws. Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of Statutory Auditors has been taken shall be replaced, or, if these numbers of Statutory Auditors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced. For the appointment of Statutory Auditors not	procedure it is not possible to ensure the compliance with the law on gender representation for the effective auditors, the quotient of votes to be attributed to each candidate taken from the effective auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same effective auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor he/she has just been replaced by). If this procedure fails to ensure the compliance with the law on gender representation, the candidate is replaced by the person appointed by the Shareholders' Meeting with the majority of votes set by the law, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and with the Bylaws. Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of Statutory Auditors has been taken shall be

appointed for any reason according to the above mentioned procedures, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Statutory Auditors complies both with the law and the Bylaws. In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is succeeded by the alternate auditor from the those lists. If the replacement fails to ensure the compliance with the law on gender representation, a Shareholders' Meeting must be called as soon as possible to this end. The list voting procedure applies only for the replacement of the entire Board of Statutory Auditors. Additional binding legal provisions, including regulatory rules, remain unchanged. 20.4 Outgoing statutory auditors may be re-elected. 20.5 Upon notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member	replaced, or, if these numbers of Statutory Auditors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced. For the appointment of Statutory Auditors not appointed for any reason according to the above mentioned procedures, the Shareholders' Meeting shall resolve by statutory majority so as to ensure that the composition of the Board of Statutory Auditors complies both with the law and the Bylaws. In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is succeeded by the alternate auditor from the those lists. If the replacement fails to ensure the compliance with the law on gender representation, a Shareholders' Meeting must be called as soon as possible to this end. The list voting procedure applies only for the replacement of the entire Board of Statutory Auditors. Additional binding legal provisions, including regulatory rules, remain unchanged. 20.4 Outgoing statutory auditors may be re-

of the Board of Statutory Auditors; power to call Shareholders' Meetings must be exercised by at least two members of the Board.	elected.
20.6 The Board of Statutory Auditors may meet via conference call or videoconferencing, providing that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. A session is considered held if it takes place where the Chairman of the Board of Statutory Auditors and the Secretary, if appointed, are located.	20.5 Upon notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member of the Board of Statutory Auditors; power to call Shareholders' Meetings must be exercised by at least two members of the Board. 20.6 The Board of Statutory Auditors may meet via conference call or videoconferencing, providing that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. A session is considered held if it takes place where the Chairman of the Board of Statutory Auditors and the Secretary, if appointed, are located.
Chapter VI – FINANCIAL STATEMENT, PROFITS AND DIVIDENDS ARTICLE 21	**Chapter VI – FINANCIAL STATEMENT, PROFITS AND DIVIDENDS** ARTICLE 21
21.1 The Company's financial year runs from 1 January to 31 December of each year. At the end of each financial year the Board of Directors prepares the financial statements as required by law.	21.1 The Company's financial year runs from 1 January to 31 December of each year.
21.2 The net profit shown in the financial statements and properly approved will be distributed: – up to 5% to legal reserves until this	

reaches the limit set by law; – the remainder will be distributed to shares, except as otherwise resolved by the Shareholders' Meeting. Dividends not collected within five years of the date on which they became payable revert to the Company. The Board of Directors may agree a dividend payment on account in the course of financial year. **Chapter VII – LIQUIDATION AND WIND-UP** ARTICLE 22 22.1 The liquidation and wind-up of the Company is governed by the relevant laws. **Chapter VIII – GENERAL PROVISIONS** ARTICLE 23 23.1 All matters not expressly covered or not otherwise regulated by the Bylaws are governed by provisions of law.	At the end of each financial year the Board of Directors prepares the financial statements as required by law. 21.2 The net profit shown in the financial statements and properly approved will be distributed: – up to 5% to legal reserves until this reaches the limit set by law; – the remainder will be distributed to shares, except as otherwise resolved by the Shareholders' Meeting. Dividends not collected within five years of the date on which they became payable revert to the Company. The Board of Directors may agree a dividend payment on account in the course of financial year. **Chapter VII – LIQUIDATION AND WIND-UP** ARTICLE 22 22.1 The liquidation and wind-up of the Company is governed by the relevant laws. **Chapter VIII – GENERAL PROVISIONS** ARTICLE 23

	23.1 All matters not expressly covered or not otherwise regulated by the Bylaws are governed by provisions of law.

THE OFFICIAL TEXT WAS PUBLISHED IN ITALIAN ON 30 JUNE 2016

ITG Holding S.p.A.

Statement of financial position at 1 June 2016

(pursuant to Article 2506-*ter* of the Civil Code)

Index

Corporate bodies

BOARD OF DIRECTORS

Chairman
Marco Reggiani

Directors
Antonio Paccioretti
Luca Schieppati

BOARD OF STATUTORY AUDITORS

Chairman
Roberto Lonzar

Statutory auditors
Stefania Mancino
Paolo Piccatti

Alternate auditors
Venanzio Cassi
Gabriele Bisceglie

Statement of financial position

(in €)	1 June 2016
ASSETS	
Current assets	
Cash and cash equivalents	50,000
TOTAL ASSETS	**50,000**
LIABILITIES AND SHAREHOLDERS' EQUITY	
Share capital	50,000
TOTAL SHAREHOLDERS' EQUITY	**50,000**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**50,000**

Explanatory notes

This statement of financial position of ITG Holding S.p.A. at 1 June 2016 reflects only the incorporation transaction, which took place on 1 June 2016 through the subscription and payment by Snam S.p.A. of the entire share capital of €50,000, represented by 50,000 shares with no par value.
The company was incorporated as part of the prospective partial and proportional demerger of Snam S.p.A. and will be the beneficiary of the assets and liabilities subject to this demerger.
At 1 June 2016, the company had not carried out any transactions and held only one asset item: a deposit in the current bank account of €50,000 as consideration for the payment of the share capital. Presentation of the incorporation transaction in the statement of financial position at 1 June 2016 complies with the International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board ("IASB") and approved by the European Union.

1 June 2016

For the Board of Directors

The Chairman

Marco Reggiani

Annex 2

Report by Snam's Board of Directors, in compliance with Annex 3A of the Issuers' Regulation, in relation to the Demerger

The official text was published in Italian on 30 June 2016

REPORT OF THE BOARD OF DIRECTORS

OF SNAM S.P.A. ON THE DEMERGER PLAN OF

THE PARTIAL AND PROPORTIONAL DEMERGER OF

SNAM S.P.A.

TO

ITG HOLDING S.P.A.

PURSUANT TO ARTICLES 2506-*TER* AND 2501-*QUINQUIES* OF THE CIVIL CODE

AND ARTICLE 70, PARAGRAPH 2 OF THE ISSUER REGULATIONS

Snam S.p.A. – *Registered office*: Piazza Santa Barbara 7, San Donato Milanese (MI)
Share capital: €3,696,851,994.00 – *Milan Companies Register No*: 13271390158

Table of Contents

Report of the Board of Directors of Snam S.p.A. on the demerger plan of partial and proportional demerger of Snam S.p.A. to ITG Holding S.p.A., pursuant to Articles 2506-*ter* and 2501-*quinquies* of the Civil Code and Article 70, paragraph 2 of the Issuer Regulations.

Dear Shareholders,

We submit for your examination and approval the demerger plan of partial and proportional demerger (the "**Demerger Plan**") of Snam S.p.A. ("**Snam**" or the "**Demerged Company**") to ITG Holding S.p.A. ("**ITG Holding**" or the "**Beneficiary Company**"), approved by the Board of Directors of Snam and ITG Holding, respectively, on 28 June and 27 June 2016, which was prepared, filed and registered pursuant to the law on the basis of the financial statements for the year ended 31 December 2015 and approved by the Ordinary Shareholders' Meeting of the Demerged Company on 27 April 2016 (the "**2015 Financial Statements**"), and the statement of financial position of ITG Holding at 1 June 2016.

This report (the "**Report**") describes the Demerger Plan, in accordance with the provisions of Articles 2506-*ter* and 2501-*quinquies* of the Civil Code and Article 70, paragraph 2 of Consob Resolution 11971/1999, as amended (the "**Issuer Regulations**"), as well as Annex 3A, Scheme 1 of the Issuer Regulations.

* * *

1. INTRODUCTION

The industrial and corporate reorganization involves the separation of Italgas S.p.A. ("**Italgas**") from Snam (the "**Transaction**"). The Transaction will be executed such that the Transfer (as defined below), the Sale (as defined below) and the Demerger (as defined below) occur in a unitary and substantially simultaneous manner.

Through the Transaction, which entails an industrial and corporate reorganisation, the entire equity investment held at the date of this Report by Snam in Italgas, equal to 100% of the share capital of Italgas, will be transferred to ITG Holding.

The Italgas Group is the leading operator in Italy within the natural gas urban distribution sector.

Specifically, the Transaction, which will occur in a unitary and substantially simultaneous manner, involves:

a) the transfer in kind by Snam to ITG Holding of a stake equal to 8.23% of the share capital of Italgas (the "**Transfer**"), in exchange for the allocation to Snam of 108,957,843 newly issued shares of ITG Holding, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);

b) the sale by Snam to ITG Holding of 98,054,833 shares of Italgas, equal to 38.87% of the share capital of Italgas (the "**Sale**"), for a price of €1,503 million, to be paid through a *vendor loan* on the part of the Beneficiary Company, enhancing part of its stake in Italgas and generating an adequate level of financial debt for the Beneficiary Company, taking into account the Beneficiary Company's activity, risk and cash flow generation profile; and

c) the partial and proportional demerger of Snam (the "**Demerger**"), with the allocation to ITG Holding of a stake equal to 52.90% held by the Demerged Company in Italgas (the "**Demerged Assets and Liabilities**"), and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company's share capital.

In order to support the Transaction-related decisions of the Boards of Directors of the companies participating in the Demerger, Snam has appointed Colombo & Associati S.r.l. (the "**Expert**"), in its capacity as a proven expert operating independently from the Company, ITG Holding and the respective shareholders that can exercise significant control over said companies, to write:

(i) (sworn) reports on the value of Snam's equity investment in Italgas (including the stakes in investee companies) in order to comply with applicable regulations, particularly, based on the structure of the Transaction, Article 2343-*ter*, paragraph 2 of the Civil Code with regard to the Transfer and Article 2343-*bis*, paragraph 2 of the

Civil Code with regard to purchases by the company from promoters, founders, shareholders and directors; and

(ii) a report, requested by Snam on a voluntary basis, with the aim of estimating the actual value of the net asset allocated to the Beneficiary Company following the Demerger.

The adequacy of the Transfer and Sale values and the value of the net asset assigned to the Beneficiary Company as part of the Demerger are confirmed in the reports mentioned in points (i) and (ii) above.

As a result of the Transaction, the ITG Holding Group shall be required:

(i) to repay intercompany loans currently outstanding with the Demerged Company; and

(ii) to pay the Demerged Company the price arising from the Sale by repaying the vendor loan.

Such debts will be repaid by ITG Holding through:

(i) the use of credit lines, in relation to which, on 28 June 2016, select major banks and leading institutions have already signed several binding commitments (without prejudice to what is stated in the next paragraph) for a total of €3.9 billion, which contain the main terms and conditions of the Beneficiary Company's future financing that will be available on the effective date of the Demerger; and

(ii) following the accession of the European Investment Bank, the finalisation of a discharge of contractual debts for Snam, effective as of the effective date of the Demerger, of two loans granted to the Demerged Company by the European Investment Bank for a total of €424 million and intended to finance Italgas projects.

All of the aforementioned commitments assumed by the lending institutions are subject, on the one hand, to the same conditions precedent as those of the Transaction as referred to in Paragraph 2.3.2 and, on the other hand, to further typical conditions for transactions of this type such as the absence of malfunctions or severe deterioration of the markets.

As stipulated in the memorandum of understanding dated 28 June 2016 between Snam, CDP Reti S.p.A. ("**CDP Reti**") and CDP Gas S.r.l. ("**CDP Gas**") (the "**Memorandum of Understanding**"), the entire Transaction also provides that Snam, CDP Reti and CDP Gas enter into a shareholders' agreement (the "**Shareholders' Agreement**") relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of ITG Holding upon the outcome of the Transaction. The Shareholders' Agreement shall have a term of three years and shall be renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of *governance* which, following the implementation of the Transaction, shall apply to ITG Holding and Italgas.

As a result of the Demerger, each Snam shareholder will hold, in place of shares of Snam, two separate equity securities representing the different areas of business in which Snam is engaged at the date of this Report. Specifically, these areas are: natural gas transportation, dispatching, regasification and storage (Snam share); and natural gas distribution (ITG Holding share).

Snam's shareholders will be allocated shares of the Beneficiary Company, proportionate to the shares held by each in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ITG Holding share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to purchase at market prices the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli S.p.A. ("**Monte Titoli**"), within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

In addition to the conditions of law, including, specifically, the favourable vote of the Snam Shareholders' Meeting, the efficacy of the Transaction is conditioned upon:

(i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the *Mercato Telematico Azionario* ("**MTA**");

(ii) the issuance of the judgement of equivalence by the Italian Securities and Exchange Commission ("**CONSOB**"), pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the information document prepared pursuant to Article 70 of the Issuer Regulations (the "**Information Document**"), supplemented pursuant to said Article 57 of the Issuer Regulations; and

(iii) the approval by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

The Transaction schedule provides that, subject to the fulfillment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner.

Following the Demerger, Snam shares will continue to be listed on the MTA.

2. DESCRIPTION OF AND REASONS FOR THE DEMERGER

2.1 Description of the Companies Participating in the Demerger

2.1.1 Demerged Company

Snam S.p.A., with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and Milan Companies Register No: 13271390158.

At the date of this Report, the fully subscribed and paid-up share capital of Snam was €3,696,851,994.00, comprising 3,500,638,294 ordinary shares with no par value.

Shares of Snam are admitted to trading on the MTA.

2.1.2 Beneficiary Company

ITG Holding S.p.A., incorporated on 1 June 2016, with registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and registration number in the Milan Business Registry: 09540420966. The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

At the date of this Report, the fully subscribed and paid-up share capital of ITG Holding was €50,000, comprising 50,000 ordinary shares with no par value.

Subject to the issuance of the necessary authorisations, the shares of ITG Holding will be admitted to trading on the MTA.

2.2 Reasons for and purpose of the Demerger

2.2.1 Financial reasons and benefits of the Demerger

This is primarily a business Transaction aimed at separating the Snam Group's Italian gas distribution activities (carried out by Italgas Group) from its gas transportation and dispatching, regasification and storage activities in Italy and abroad. Within this context, the structure of the Transaction in its three stages mentioned above (i.e. Transfer, Sale and Demerger, which will be completed simultaneously) will ensure fulfilment of the twin aims of (i) providing Snam with a post-Demerger stake of 13.50% in the Beneficiary Company (derived almost completely from the Transfer), and (ii) enhancing part of its stake in Italgas by giving, at the same time, the Beneficiary Company a sufficient level of financial debt in view of its business, risk and cash flow generation profiles (via the Sale).

The reason for the Transaction is the belief that the gas distribution activities (which are the subject of the Demerger) present very specific characteristics that are different from the rest of the Snam Group's activities in terms of operational organization, competitive context, regulation and investment requirements.

Distribution is primarily a local business awarded on a fixed-term concession basis by local and regional authorities and carried out using mainly metropolitan low-pressure pipeline networks that transport the gas to the redelivery points of end customers. The distribution business is also more labour intensive than the Snam Group's other businesses, requires frequent interaction with local authorities and is based on continual small-scale investment.

Despite being based on the same principles of reference as the Snam Group's other regulated activities, the regulatory framework for distribution presents a series of its own peculiarities in terms of the way in which operating costs are recognised on a parametric basis because of the hugely fragmented nature of the market, in which there are many competitors.

From an operational perspective, Italgas is preparing for a journey that will be characterized over the next few years by local tender processes for concessions, which are expected to result in a more concentrated market with an opportunity for economies of scale and operating synergies.

Two distinct groups will emerge from the Demerger, each focused on its own business and with clearly identified, market-visible objectives. Both groups should have the autonomy required to best capitalise on strategic growth opportunities and a well-defined operational profile that will allow them to fulfill their potential.

2.2.2 Outlook and plans of the Demerged Company

The Transaction means that the Post-Demerger Snam Group will be able to concentrate on its transportation, storage and regasification activities in Italy and abroad in a bid to maximize the value of its existing asset portfolio and capitalise on new development opportunities.

As an additional opportunity, the Post-Demerger Snam Group intends to retain a stake of 13.50% in Italgas so it can benefit from the future growth and value creation of this company.

2.2.3 Outlook and plans of the Beneficiary Company

The Beneficiary Company's role will be to manage the equity investment in Italgas.

Over the coming years, Italgas will be involved in gas distribution service tenders at local level, as defined by industry regulations (Ministerial Decree 226/2011). In order to cope effectively with this commitment, the company expects to have upgraded its technical structures and the related process by the end of 2016.

In particular, the company is in the process of finishing its revision and computerisation of most its technical and production processes, from designing and implementing projects to managing works, maintaining and running distribution facilities and overseeing map updates, including by way of new workforce management tools enabling, among other things, the on-site production of summaries of the activities carried out by corporate management systems.

In compliance with the resolutions of the Electricity, Gas and Water Authority (the "**AEEGSI**") (Resolution ARG/gas 155/08 as amended), work will continue on the replacement of all meters (even domestic ones) with smart meters.

Italgas will also be able to:

- benefit from opportunities for growth arising from changes in the market through more effective use of financial debt, including by way of an investment grade credit rating, just like the other Italian operators;

- increase its market share and react more effectively if the tender timetable is brought forward;

- enjoy more flexibility with regard to investments, since the restrictions that come with being part of the Snam Group, i.e. competing against other investment opportunities and being bound by Snam's debt, will no longer apply;

- obtain direct access to the capital markets, enabling it to finance future growth.

2.3 Main legal aspects of the Demerger

2.3.1 The Demerger

The Demerger consists of a partial and proportional demerger of Snam to ITG Holding, the share capital of which is entirely held by Snam as at the date of this Report. The allocations to the Beneficiary Company cover the 52.90% equity investment of the Demerged Company in Italgas (for a description of the assets and liabilities to be transferred to the Beneficiary Company as a result of the Demerger, see the paragraph below "Assets and liabilities allocated to the Beneficiary Company").

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the number of shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company for every five Snam shares held.

Since this is a partial and proportional demerger of a company whose share capital is, at the date of this Report, and will remain up to the effective date of the Demerger (the "**Demerger Effective Date**"), wholly owned by the Demerged Company, the Demerger in no way entails a change in the value of the equity investments held by the shareholders of the Demerged Company, and therefore – partly based on the opinion expressed by the Milan Council of Notaries in Regulation No 23 of 18 March 2004, prepared by its own Companies Committee – the conditions remain in place for the exemption, set out in Article 2506-*ter*, paragraph 3 of the Civil Code, from the need to write the expert report mentioned in Article 2501-*sexies* of the Civil Code.

Pursuant to and for the purposes of the combined provisions of Articles 2506-*ter* and 2501-*quater* of the Civil Code, the Beneficiary Company's statement of financial position at the date of its incorporation (1 June 2016) was drawn up, and was approved by the Board of Directors of ITG Holding.

Availing itself of the option available under said Article 2501-*quater* of the Civil Code, the Demerged Company has used the 2015 Financial Statements.

The 2015 Financial Statements were made available to the shareholders and the public on 5 April 2016, in accordance with the methods described by law.

The Demerger will take legal effect on the later of: the date when the Demerger deed is recorded in the relevant Companies Register pursuant to Article 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed. The Demerger Effective Date shall coincide with the start date of negotiations about the shares of ITG Holding on the MTA. The Demerger is likely to take effect before 31 December 2016.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the above-mentioned Demerger Effective Date.

2.3.2 Admission to trading of shares of the Beneficiary Company and conditions of the Demerger

In addition to the conditions of law, including, in particular, the favourable vote of Snam's Shareholders' Meeting, the effectiveness of the Transaction is subject to:

(i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the MTA;

(ii) the issuance of the judgement of equivalence by CONSOB pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the Information Document, supplemented pursuant to said Article; and

(iii) the approval by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares of the Beneficiary Company will be traded on the MTA.

The schedule of the Transaction provides that, subject to the fulfilment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

The initial trading date for shares in the Beneficiary Company will be fixed by Borsa Italiana with suitable notice and will coincide with the Demerger Effective Date, which will fall on a trading day.

At the date of this Report, the Beneficiary Company does not plan to request the admission to trading of its shares on other markets.

2.3.3 Amendments to the bylaws of the Demerged Company

The bylaws of the Demerged Company will not be amended, except for amendments that will be made to Article 5 in order to reflect the reduction in the share capital of the Demerged Company on completion of the Demerger.

Article 5 - Share capital

The current text of Article 5, paragraph 1 reads as follows: "*The share capital is €3,696,851,994.00 (three billion six hundred and ninety-six million eight hundred and fifty-one thousand nine hundred and ninety-four), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value*".

As a result of the Demerger, the share capital of the Demerged Company will be reduced by €961,181,518.44, to €2,735,670,475.56.

Following the Demerger, Article 5.1 of the bylaws of the Demerged Company will read as follows: "*The share capital is €*2,735,670,475.56 *(two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point five six), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value*".

The bylaws of Post-Demerger Snam are attached to the Demerger Plan as Annex A.

2.3.4 Amendments to the bylaws of the Beneficiary Company

The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA. Therefore, the Beneficiary Company's Shareholders' Meeting called to approve the Demerger will also be asked to resolve upon adopting, effective from the date of filing the request for admission to trading with Borsa Italiana, bylaws that comply with the provisions for listed companies in Legislative Decree No 58 of 24 February 1998, as amended (the "**Consolidated Finance Act**" or "**TUF**") and the relevant implementing regulations.

These bylaws, which are attached to the Demerger Plan as Annex B, will be broadly in line with those governing Post-Demerger Snam, except for what is described below, and, notwithstanding that the Beneficiary Company's shares will give their holders the same rights as those granted by shares in the Demerged Company.

Article 2 of the bylaws of ITG Holding will be amended slightly compared to Article 2 of Snam's bylaws in order to promptly bring the corporate purpose of the Beneficiary Company into line with the business it will perform after the Demerger. Therefore, the Beneficiary Company's corporate purpose will be to exercise, directly and/or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated gas sector activities, and in particular the distribution and metering of all kinds of gas in all its applications. The Beneficiary Company will also be able to

perform any other economic activity fundamentally or tangentially linked to one or more of the above-mentioned activities (and therefore, by way of example and to the extent permitted by the rules for the sector in force from time to time, any activity included in the gas and hydrocarbons industry in general), as well as any activity that can be performed using the same infrastructure as said aforementioned activities.

In addition, in line with the change to the corporate purpose, authorisation by the shareholders will no longer be required to approve decisions concerning the sale, transfer, leasing, usufruct or any other act of disposal, including by way of a joint venture, or restrictions on the disposal of the company or strategic business units involved in activities relating to the transportation and dispatching of gas.

Article 12.3 of Snam's bylaws, which requires a qualified majority to approve the resolutions of the Extraordinary Shareholders' Meeting, will also be eliminated.

In addition, Article 5 of the bylaws of ITG Holding will be amended to reflect the share capital increase (i) totalling €40,000,000.00 as a result of the Transfer, and (ii) totalling €961,181,518.44 as a result of the Beneficiary Company being allocated the Demerged Assets and Liabilities. The share capital of the Beneficiary Company will therefore total €1,001,231,518.44, comprising 809,135,502 shares with no par value, of which 699,902,209 will be awarded to Snam shareholders as a result of the Demerger (an additional 225,450 shares will be awarded to Snam in exchange for the treasury shared held by Snam).

As such, following the Demerger, the new Article 5 of the bylaws of the Beneficiary Company will read as follows: "*The share capital is €*1,001,231,518.44 *(one billion one million two hundred and thirty-one thousand five hundred and eighteen point forty-four), divided into* 809,135,502 *(eight hundred and nine million one hundred and thirty-five thousand five hundred and two) shares with no par value*".

Lastly, Article 13 of the bylaws of ITG Holding, relating to the appointment of the Board of Directors of the Beneficiary Company, will be amended to provide a mechanism whereby nine members are appointed based on lists. Seven directors are taken from the first list according to number of votes and two directors are taken from the minority lists using a proportional mechanism (quotient). This mechanism shall apply starting from the renewal of the Board of Directors of ITG Holding, *i.e.* after two years from the first appointment of the Board of Directors of the Beneficiary Company.

3. ASSETS AND LIABILITIES ALLOCATED TO THE BENEFICIARY COMPANY AND EFFECTS OF THE DEMERGER ON ASSETS AND LIABILITIES

3.1 Assets and liabilities allocated to the Beneficiary Company

As a result of the Demerger, the Demerged Company will assign to the Beneficiary Company an equity investment of 52.90% of the share capital of Italgas. In accordance with the principle of continuity of accounting values, the assignment will take place at a carrying value, which is €1,569,211,964.76, corresponding to 52.90% of the total cost of €2,966,473,384.94.

Company name	Registered office	Share capital in euros	% stake held by Snam	Shares held	REA No	Snam book value in euros as at 31 December 2015
Italgas S.p.A.	Turin	252,263,314.00	100	252,263,31	Turin No 1082	2,966,473,384.94

No other asset or liability item of the Demerged Company, other than those expressly mentioned, will be awarded. The value of the net asset awarded is therefore €1,569,211,964.76.

Ostiense Property Complex

In this regard, together with the Demerger, Snam's rights and obligations in relation to the property complex in Roma Ostiense (the "**Property Complex**"), will be transferred to the Beneficiary Company as a result of specific contractual arrangements entered into during the sale by Eni S.p.A. ("**Eni**") of 100% of its share capital in Italgas to Snam, which occurred in 2009 (as summarised below).

On 12 February 2009, Snam (then Snam Rete Gas, now Snam) and Eni signed a sale and purchase agreement (the "**Sale and Purchase Agreement**") for the purchase by Snam of 100% of the share capital of Italgas, the proprietary company of, *inter alia*, the Property Complex, consisting of land and overlying buildings, located in Rome, Ostiense area.

On 30 June 2009, the parties signed a private deed to implement the Sale and Purchase Agreement.

The Sale and Purchase Agreement, as integrated by the following agreements entered into by the parties, provides, in particular, for a commitment by Eni to purchase, from Italgas, the Property Complex and Eni's right to receive, from Snam, by way of adjustment of the price of Italgas shares and together with the sale of the Property Complex, an amount equal to the difference between the appraised value of the Property Complex and its RAB value as at 31 December 2007, after the deduction of fiscal charges and the duly documented ancillary costs

associated with the sale of the Property Complex to Eni. In relation to the environmental costs, the Italgas' shares price adjustment mechanism will include the difference between the appraised value of those costs and the cost accounted for in the provisions for the environmental risks relating to the Property Complex in Italgas financial statements as at 31 December 2008.

In the event of failure to complete the sale and purchase of the Property Complex, and by virtue of the provisions in the Italgas Sale and Purchase Agreement, Snam has the right to be indemnified by Eni for environmental liabilities in excess of the amount recorded in the Italgas financial statements as at 31 December 2008 and for the related events that occurred prior to 30 June 2009 (the date of transfer of Italgas shares from Eni to Snam). It is also expected that Eni shall reimburse Snam for any environmental liabilities incurred and documented by Italgas after 31 December 2008, net of the corresponding tax effect.

In execution of the aforementioned agreements, on 24 October 2012 Snam and Eni signed a further agreement under which they agreed to make their respective subsidiaries, Italgas and Eniservizi S.p.A. ("**Eniservizi**"), sign a sale and purchase agreement relating to the Property Complex, preceded by a preliminary agreement.

On 8 April 2014, Eniservizi and Italgas signed the preliminary agreement for the sale of the Property Complex for €21,972,391.00, which was established as a fixed, unchangeable amount, regardless of the actual extent of remediation that will be necessary on the site. Consistent with the applicable accounting principles, the fund relating to the reclamation costs for the Property Complex was not adequate.

With respect to the business activity carried out by Italgas and by its subsidiaries, in addition to what has already been reported, the following should be noted.

The natural gas distribution service is based on concessions currently awarded by the individual municipalities in which Italgas operates. The distribution service consists of carrying gas through local pipelines from transportation network connection points to points for redelivery to end-users (domestic or industrial customers). The service is carried out on behalf of companies authorised to market gas.

Based on information provided to the Electricity, Gas and Water Authority (the "**AEEGSI**"), in 2014, approximately 230 companies distributed natural gas in approximately 7,100 municipalities in Italy, to approximately 23 million customers.

Italgas, along with its subsidiaries Napoletanagas S.p.A. ("**Napoletanagas**") and ACAM Gas S.p.A. ("**ACAM Gas**"), manages a distribution network of approximately 57,000 km and has a gas distribution concession in 1,472 municipalities, of which 1,401 are operational, with 6.526 million active meters at Redelivery Points ("**RPs**") for end-users.

The Italgas Group is Italy's leading distributor of natural gas in urban areas in terms of number of RPs.

Italgas also has non-controlling interests in other natural gas distribution companies, for which it acts as the primary industrial shareholder. These companies, which are not consolidated by Italgas, are mentioned below.

The values shown below are taken from the respective financial statements, drafted in accordance with the provisions of the Civil Code (and Legislative Decree 127/1991 in the case of consolidated financial statements) and the accounting principles drawn up by the National Board of Certified Public Accountants and Bookkeepers and by the Italian Accounting Organisation ("**OIC**").

- **Toscana Energia S.p.A. (48.08%)**

  Toscana Energia S.p.A. ("**Toscana Energia**") is 51.25% owned by public bodies, including a 20.6% stake held by the municipality of Florence, and 0.67% owned by private shareholders.

  Toscana Energia performs the distribution service in 104 municipalities across Tuscany, with around 790,000 active RPs and more than 1 billion cubic metres of gas carried in 2015.

  At 31 December 2015, Toscana Energia's revenues of some €125 million generated EBIT of approximately €61 million and a net profit of approximately €40 million.

- **Umbria Distribuzione Gas S.p.A. (45%)**

  The remaining 55% of Umbria Distribuzione Gas S.p.A. ("**Umbria Distribuzione**") is owned by ASM Terni S.p.A. (40%) and Acea S.p.A. (15%).

  As the holder of an 11-year mandate which began in August 2007, Umbria Distribuzione manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructure owned by Terni Reti S.r.l., a wholly owned subsidiary of the Terni municipality.

  The natural gas distribution network managed by Umbria Distribuzione extends for 397 kilometres, with around 50,000 active RPs and 54 million cubic metres of gas carried.

  At 31 December 2015, Umbria Distribuzione's revenues of approximately €6.5 million generated EBIT of some €550,000 and a net profit of approximately €310,000.

- **Metano S. Angelo Lodigiano S.p.A. (50%)**

  The remaining 50% of Metano S. Angelo Lodigiano S.p.A. ("**Metano Lodigiano**") is owned by the municipality of S. Angelo Lodigiano.

  Metano Lodigiano holds the gas distribution concessions in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

Metano Lodigiano serves around 9,700 RPs and carries 17 million cubic metres of gas in 2015.

At 31 December 2015, Metano Lodigiano's revenues of approximately €1.5 million generated EBIT of some €540,000 and a net profit of approximately €350,000.

On 21 June 2016, the Italgas Board of Directors called a Shareholders' Meeting to be held on 18 July 2016 to deliberate on the distribution of a dividend for the financial year 2015, equal to €274,563,390.96 million.

3.2 Effects on the assets and liabilities of the Demerger

3.2.1 Effects of the Demerger on the assets and liabilities of the Demerged Company

The Demerger will yield a proportional reduction of €1,569,211,964.76 in the Demerged Company's net asset, by way of a reduction of €961,181,518.44 in share capital and a reduction of €608,030,446.32 in reserves. Specifically, the legal reserve will be reduced by €192,236,303.69 and the share premium reserve by €415,794,142.63.

Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

3.2.2 Effects of the Demerger on the assets and liabilities of the Beneficiary Company

The Demerger will yield a corresponding increase of €1,569,211,964.76 in the Beneficiary Company's net asset, attributed (i) to share capital in the amount of €961,181,518.44, thereby increasing the share capital from €40,050,000 to €1,001,231,518.44 via the issuance of 700,127,659 new shares; and (ii) to reserves in the total amount of €608,030,446.32. The legal reserve will increase by €192,236,303.69 and the share premium reserve by €415,794,142.63.

A summary of the aforementioned effects on the assets and liabilities of the Demerged Company and the Beneficiary Company is shown below. In particular, the first column shows the Demerged Company's net asset items at 31 December 2015, while the second and third columns show, respectively, the post-Demerger breakdown of the net asset of the Beneficiary Company and the Demerged Company.

	Snam pre-Demerger (31 December 2015)	**ITG Holding post-Demerger (*)**	**Snam post-Demerger**
Share capital	3,696,851,994.00	961,181,518.44	2,735,670,475.56
Legal reserve	739,370,398.80	192,236,303.69	547,134,095.11
Share premium reserve	1,604,214,715.01	415,794,142.63	1,188,420,572.38
Other reserves	(29,979,837.77)		(29,979,837.77)

Net profit at 31 December 2015	824,675,951.88		824,675,951.88
Total	6,835,133,221.92	1,569,211,964.76	5,265,921,257.16

(*) The items of net asset awarded to ITG Holding after the Demerger and allocated to the share capital and legal reserve have been calculated on a proportional basis, *i.e*. the ratio of the Demerged Assets and Liabilities to Snam's net asset at 31 December 2015, net of the effects of allocating 2015 income, as decided by the Shareholders' Meeting of 27 April 2016. The amount allocated to the share premium reserve was calculated on top of the total value of the Demerged Assets and Liabilities.

The following summarises the balance sheet effects on the net asset of the Demerged Company and the Beneficiary Company, as a result of the entire Transaction (Constitution, Transfer, Sale and Demerger), also including the effects resulting from the allocation of the net profit for 2015, approved by the Shareholders' Meeting of 27 April 2016.

(€ million)

Snam	**31 December 2015 (pre-Transaction)**	**Distribution of 2015 dividend**	**Snam post-dividend distribution**	**Sale**	**Demerger**	**Snam post-Transaction**
Share capital	3,697		3,697		(961)	2,736
Legal reserve	739		739		(192)	547
Share premium reserve	1,603	(50)	1,553		(416)	1,137
Other reserves	(29)		(29)	350 (*)		321
Net profit	825	(825)				
Snam net asset	**6,835**	**(875)**	**5,960**	**350**	**(1,569)**	**4,741**

ITG Holding	Establishment	Transfer	Sale	Demerger	ITG Holding post-Transaction
Share capital	€50,000	40		961	1,001
Legal reserve				192	192
Share premium reserve		204		416	620
Other reserves			(350) (*)		(350)
ITG Holding net asset		**244**	**(350)**	**1,569**	**1,463**

(*) The reserve, a positive value for the Demerged Company and a negative value for the Beneficiary Company, is recognised against the Sale and is equal to the difference between the Sale price and the corresponding fraction of the cost of the holding.

3.3 Actual values of the net asset allocated to the Beneficiary Company and the net asset remaining with the Demerged Company

Pursuant to Article 2506-*ter*, paragraph 2 of the Civil Code, it is hereby stated that:

a) the actual value of the net asset that will be allocated to the Beneficiary Company as a result of the Demerger is no less than the relative book value amounting to €1,569,211,964.76, corresponding to 52.90% of the overall cost of the equity investment held by Snam in Italgas at 31 December 2015, *i.e*. €2,966,473,384.94; and

b) the actual value of the net asset that will remain with the Demerged Company as a result of the Demerger is no less than the relative book value (which was €5,265,921,257.16 at 31 December 2015).

4. ALLOCATION RATIO FOR SHARES OF THE BENEFICIARY COMPANY AND ALLOCATION PROCEDURES

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ITG Holding share for every five Snam shares held. After the allocation, Snam's shareholders will hold a total share of 86.50% of the share capital of the Beneficiary Company. No cash adjustment is therefore provided for.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

The shares of the Beneficiary Company will be awarded to entitled parties electronically using authorised intermediaries, starting from the Demerger Effective Date and according to the time frames and methods published with suitable notice.

Subject to the issue of the necessary authorisations at the time of allocation, the shares of the Beneficiary Company will be admitted to trading on the MTA. The initial date of trading of ITG Holding shares on the MTA will be established by Borsa Italiana with a specific order.

In exchange for the treasury shares held by Snam at the date of this Report (1,127,250), which will not be allocated, in addition to retaining the above shares, the Demerged Company will receive 225,450 shares of the Beneficiary Company.

In addition to such number of shares, the following should be taken into account (i) the Beneficiary Company shares held by Snam as at the date of this Report, resulting from the incorporation of the Beneficiary Company (50,000), and (ii) the ITG Holding shares that will be awarded to Snam following the Transfer of its 8.23% stake in Italgas to ITG Holding (108,957,843).

As a result of the above, Snam will hold 13.50% of the Beneficiary Company's share capital after the Transaction.

5. ASSESSMENT OF THE USE OF THE RIGHT OF WITHDRAWAL

The Demerger requires the shares of the Beneficiary Company to be admitted to trading on the MTA in order to ensure their liquidity. The Demerger is subject, *inter alia*, to the Beneficiary Company's shares being admitted to trading on the MTA. As such, the conditions are not in place for Snam's shareholders to exercise the right of withdrawal set out in Article 2437-*quinquies* of the Civil Code.

Nor are the conditions in place for the exercise of the right of withdrawal pursuant to Article 2437 of the Civil Code. Specifically, with regard to paragraph 1, letter a) of the above Article, following the Demerger, the corporate purpose of the Demerged Company will remain unchanged and the Beneficiary Company will adopt a corporate purpose aligned with that of the Demerged Company.

6. PROJECTIONS ON THE COMPOSITION OF THE OWNERSHIP STRUCTURE OF THE DEMERGED COMPANY AND OF THE BENEFICIARY COMPANY AFTER THE DEMERGER

6.1 Ownership structure of Snam and the related effects of the Demerger

At the date of this Report, there are no shareholders purporting to exercise control over Snam as defined in Article 2359 of the Civil Code and Article 93 of the TUF. The shareholder Cassa Depositi e Prestiti S.p.A. ("**CDP**") declared, with effect from the financial statements as at 31 December 2014, that it had de facto control over Snam within the meaning of international accounting standard IFRS 10 – Consolidated Financial Statements.

According to the shareholder register, communications received and other information available to Snam, as at the date of this Report, the following shareholders directly or indirectly hold 3% or more of the Demerged Company's share capital with voting rights:

Declarant	Direct shareholder	Proportion of ordinary share capital (%)
CDP	CDP Reti S.p.A. [(1)]	28.98
	CDP Gas s.r.l. [(2)]	1.12
MINOZZI ROMANO	Finanziaria Ceramica Castellarano S.p.A.	0.26
	Iris Ceramica Group S.p.A.	1.412
	Minozzi Romano	1.361

(1) Company in which CDP holds 59.1% and State Grid Europe Limited holds 35%, with the remaining 5.9% held by Italian institutional investors.

(2) Wholly owned subsidiary of CDP.

At the date of this Report, Snam holds 1,127,250 treasury shares, equal to 0.03% of the share capital, while Snam's subsidiaries do not hold, and are not authorised by their respective shareholders' meetings to acquire, Snam shares.

Snam has approximately eighty thousand shareholders at the date of this Report.

Since it is partial and proportional, the Demerger will not result in any change in Snam's ownership structure.

6.2 Ownership structure of ITG Holding and the related effects of the Demerger

At the date of this Report, the Beneficiary Company's share capital is wholly owned by Snam.

As a result of the Demerger, all shareholders of the Demerged Company will receive Beneficiary Company shares in proportion to their stakes. The Demerged Company's shareholders will receive 86.50% of the Beneficiary Company's shares, while the Demerged Company itself will hold on to the remaining 13.50%.

This means that, assuming there are no changes to the ownership structure of the Demerged Company, the shareholders with 3% or more of the Beneficiary Company's share capital as at the Demerger Effective Date are as follows:

Declarant	**Direct shareholder**	**Proportion of ordinary share capital (%)**
CDP	CDP Reti S.p.A.	25.08
	CDP Gas s.r.l.	0.97
SNAM	SNAM	13.50

Of Snam's 13.50% stake in the Beneficiary Company, 13.47% comes from the Transfer of Snam's 8.23% stake in Italgas to the Beneficiary Company, and the remaining 0.03% comes from the awarding of Beneficiary Company shares in proportion to the treasury shares held prior to the Demerger Effective Date.

As stipulated in the Memorandum of Understanding dated 28 June 2016 between Snam, CDP Reti and CDP Gas S.r.l., the entire Transaction also provides that Snam, CDP Reti and CDP Gas enter into the Shareholders' Agreement relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of ITG Holding upon the outcome of the Transaction. The Shareholders' Agreement shall have a term of three years and shall be renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of *governance* which, following the implementation of the Transaction, shall apply to ITG Holding and Italgas.

7. EFFECTS OF THE DEMERGER ON ANY SHAREHOLDERS' AGREEMENTS

Based on the notifications sent to CONSOB pursuant to Article 122 of the TUF and the applicable provisions of the Issuer Regulations, as at the date of this Report, CDP, State Grid Europe Limited ("**SGEL**") and State Grid International Development Limited are parties to a shareholders' agreement with Snam (the "**Shareholders' Agreement**"). The Shareholders' Agreement was entered into when a stake of 35% in CDP Reti was transferred to SGEL on 27 November 2014.

The Shareholders' Agreement was amended on 23 December 2014 to take account of the changes to CDP's equity investment in Snam following the completion, on 19 December 2014, of the transfer to Snam of the stake held by CDP (via CDP Gas) in Trans Austria Gasleitung GmbH, as part of the Snam capital increase reserved for CDP Gas and paid up via the signing of the deed of transfer of the aforementioned equity investment by CDP Gas.

Specifically, the Shareholders' Agreement – which has a three-year term from the date of signing and will be renewed automatically for subsequent three-year periods, unless one of the parties withdraws – grants SGEL governance rights to protect its investment in CDP Reti.

The rights and obligations of SGEL with regard to Snam, as set out in the Shareholders' Agreement, include in particular the following:

- as long as SGEL holds an equity investment of at least 20% in CDP Reti, it shall be entitled to appoint a candidate to be included on the list of candidates for the position of director of Snam, which will be submitted by CDP Reti at the Shareholders' Meeting called to appoint members of the Board of Directors;

- SGEL's candidate must be included on the list in a position that would guarantee the candidate's appointment to the position of director of Snam if the CDP Reti list obtains a majority of votes at the Shareholders' Meeting; and

- SGEL has undertaken to ensure that the director appointed by it to Snam's Board of Directors (if and to the extent that said director is not independent pursuant to Article 148 of the TUF) shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Snam in relation to matters on which there is a conflict of interests for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. Furthermore, said director may not take part in the discussions of Snam's Board of Directors concerning the aforementioned matters.

In addition, the Shareholders' Agreement entitles SGEL to withdraw if the Snam Shareholders' Meeting approves, *inter alia*, demergers where the value of the net asset transferred to the beneficiary company is greater than 10% of Snam's net asset, provided that the decisions in question have been approved by Snam's Shareholders' Meeting with a decisive vote in favour from CDP Reti (i.e. without this vote, the resolution would not have

been adopted), and this notwithstanding a vote against by the SGEL-appointed members on the CDP Reti Board of Directors called to decide on which way to vote at the Snam Shareholders' Meeting.

For more details on the Shareholders' Agreement, please see the extract published on the websites of Snam and CONSOB.

At the date of this Report, the signatories of the Shareholders' Agreement have not issued communications on how the Demerger will affect the Shareholders' Agreement.

8. DESCRIPTION OF THE RIGHTS ASSOCIATED WITH THE SHARES TO BE ALLOCATED TO THE DEMERGED COMPANY'S SHAREHOLDERS

Shares of the Beneficiary Company will be allocated to the Demerged Company's shareholders in the amount and according to the allocation criteria described in the above paragraph "Allocation ratio for shares of the Beneficiary Company and allocation procedures".

These shares will have exactly the same characteristics as the shares of the Demerged Company owned by each shareholder of this company.

Other than ordinary shares, no issues of shares of the Beneficiary Company are planned.

Shares of the Beneficiary Company that will be allocated to the Demerged Company's shareholders will incur dividend rights from the Demerger Effective Date.

The net profits, as they appear on the financial statements, are distributed as follows:

- 5% to legal reserves, until these reach one fifth of the share capital;
- the remainder, at the discretion of the Shareholders' Meeting, either in full or in part, to shareholders or to create or bolster reserves.

Dividends not collected within five years of the date on which they became payable revert to the Beneficiary Company. Interim dividends may be distributed in accordance with the law.

Should the Beneficiary Company be wound up at any time, for whatever reason, the Shareholders' Meeting will be responsible for establishing how the company will be liquidated.

No shares have been issued entitling the holders to special rights, and there are no share ownership schemes in place for managers and employees.

9. DEMERGER EFFECTIVE DATE AND DATE OF RECOGNITION OF THE TRANSACTIONS IN THE BENEFICIARY COMPANY'S FINANCIAL STATEMENTS

The Demerger will take legal effect on the later of: the date when the Demerger deed is recorded in the relevant Companies Register pursuant to Article 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed. The Demerger Effective Date shall coincide with the start date of negotiations about the shares of ITG Holding on the MTA. The Demerger is likely to take effect before 31 December 2016.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the legal Demerger Effective Date.

The Transaction is being conducted under the going-concern principle insofar as it is assumed it is a business combination involving entities or businesses under common control, since the companies participating in the business combination (Snam, ITG Holding and Italgas) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

Pursuant to Article 2501-*ter*, No 6 of the Civil Code, referred to in Article 2506-*quater* of the Civil Code, the accounting effects of the Demerger will apply as of the Demerger Effective Date. As such, the accounting effects of the Demerger will be applied to the Beneficiary Company's financial statements as of said effective date.

10. INCENTIVE PLANS

At the date of this Report, the Demerged Company has no share incentive plans involving the allocation of Snam shares.

Long-term variable incentives

Snam has two types of plans in place:

(i) The Deferred Monetary Incentive Plans ("**DMI Plans**"), reserved for managers of the Demerged Company who met their predefined individual targets in the previous year and are eligible for the Leadership Development Programme[1], which award a basic incentive to be paid out after three years depending on the Company's performance during that period. This performance is calculated as the average Snam Group EBITDA in the three-year period measured in comparison to budget forecasts. The DMI Plans aims to motivate and retain managers, as well as establish a closer tie between targets, performance and incentives.

(ii) The Long-Term Monetary Incentive Plans ("**LTMI Plans**"), for the Chief Executive Officer, managers with strategic responsibilities and other managers that have a greater impact on the corporate results. Such plans are a tool to incentivize management and increase loyalty and provide for the annual allocation of a basic incentive award to be paid after three years and vary according to performance criteria relating to:

a. adjusted net income as compared with to the adjusted net income forecast in the budget (with a weighting of 60%);

b. performance of the Total Shareholder Return as compared to the performance of the Total Shareholder Return of a peer group (with a weighting of 40%).

The LTMI Plans are intended to support corporate profitability and guarantee a greater alignment to the interests of shareholders in the medium- to long-term.

Short-term variable incentives

Snam has also adopted an incentive plan involving an annual payout ("**AMI Plan**") aimed at motivating and focusing managers in the short term, in line with the corporate objectives set out by the Board of Directors. The amount of the short-term incentive depends on the position held and company and individual performance in the previous year.

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[1] The *Leadership Development Programme* is a programme dedicated to the development of human resources showing constant performance, a strong passion for work and courage in breaking new ground and aims to accelerate the growth of participants. The access to the program is selective and the participation in the program is confirmed every year on the basis of the targets achieved.

With reference to the Long-term and Short-term Variable Incentives Plan for the Chief Executive Officer and managers with strategic responsibilities, see the 2016 Remuneration Report of Snam (www.snam.it).

11. TAX EFFECTS OF THE TRANSACTION

The Demerger is tax neutral for the purpose of direct taxation as defined in Article 173 of Presidential Decree No 917 of 22 December 1986, as amended ("**Consolidated Income Tax Act**" or "**TUIR**"). Specifically, under Italian tax law, the Demerger does not result in the parties involved making profits or incurring losses that are significant for tax purposes.

For the Demerged Company, the transfer of part of its net asset to the Beneficiary Company results neither in goodwill nor in latent capital gains or losses amongst its assets and liabilities. Similarly, the assets acquired by the Beneficiary Company are received at the same tax value they had when held by the Demerged Company. Any difference between the book value of these assets and their value for tax purposes will be shown in a dedicated reconciliation statement on the tax return.

The Demerged Company's taxable positions and the related obligations are allocated to the Beneficiary Company and the Demerged Company in proportion to the respective shares of book net asset transferred or retained, although taxable positions related specifically or as a group to the demerged assets and liabilities remain with the Beneficiary Company.

Any deferred tax reserves in the Demerged Company's most recent separate financial statements are reduced in proportion to the reduction in the related book net asset. This reduced amount in the Demerged Company must be reconstituted within the Beneficiary Company in proportion to the respective shares of book net asset transferred by the Demerged Company, unless the tax deferral depends on events affecting particular assets and liabilities, in which case the deferred tax reserves must be reconstituted by the Beneficiary Company that receives these assets and liabilities. Similarly, the Demerged Company's deferred tax reserves that were capitalised before the Demerger are transferred to the capital of the Beneficiary Company and form part of income in the event of a capital reduction due to surplus.

The provisions of Article 173 of the TUIR apply to any circumstances not expressly mentioned for the purpose of income taxes.

With regard to indirect taxation, the Demerger is not subject to value added tax (VAT), pursuant to Article 2, paragraph 3, letter f) of Presidential Decree 633/1972, and is subject to fixed registration duty, pursuant to Article 4, letter b), part one of the Tariff annexed to Presidential Decree 131/1986.

Lastly, the change in the original equity investments resulting from the Demerger constitutes neither the realisation nor distribution of capital gains or losses for the Demerged Company's shareholders. With regard to each shareholder, the division of the tax value of the stake originally held in the Demerged Company must respect the existing ratio of the effective value of the equity investments received by the Beneficiary Company and the effective value of each shareholder's equity investment in the Demerged Company. However, for the Demerged Company's shareholders not resident for tax purposes in Italy, the tax regime in force in their respective countries of residence should be verified with local advisors.

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Proposed resolution

The extraordinary shareholders' meeting of Snam S.p.A. (Snam" or the "Company"),

- analyzed the demerger plan attached to this notice under "Demerger Plan";

- analyzed and approved the Report of the directors attached to this notice under "Report of the Board of Directors";

- approved the entire transaction including the proposed demerger;

- provided that, within the statutory deadline, the demerger plan has been registered at the Company Register in Milan pursuant to Article 2501-*ter*, paragraphs 3 and 4 civ. cod., and that the documentation provided for by Article 2501-*septies*, paragraph 1 civ. cod., as mentioned, respectively, by Articles. 2506-*bis*, paragraph 5, and 2506-*ter*, paragraph 5 civ. cod. has been also published;

DECIDE

1. to approve the demerger plan of partial and proportional demerger of Snam to ITG Holding S.p.A: at the same terms and conditions referred to in the demerger plan;

2. as a result of the Demerger, to reduce Snam share capital by €961,181,518.44 without withdrawing shares. With effect from the effective date of the demerger, Article 5.1 of the bylaws of Snam will read as follows: "*The share capital is €*2,735,670,475.56 *(two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point five six), divided into 3,500,638,294 shares with no par value*";

3. to grant to the legal representatives the authority, with the power to delegate and with the express power provided for under Article 1395 civ. cod., to enter into the demerger deed in compliance with the conditions set forth in the demerger plan, and in any case in the same context of the completion of other transactions strictly associated with the demerger, as also referred to and described in the demerger plan and in the report of the shareholders;

4. to grant to the legal representatives the authority to modify any formal aspect of the present decision as required even in the phase of registration to the company register.

The Chairman

Ing. Carlo Malarcane

Annex 3

Report by ITG Holding's Board of Directors, pursuant to Articles 2506-*ter* and 2501-quinquies of the Civil Code in relation to the Demerger

The official text was published in Italian on 30 June 2016

REPORT OF THE BOARD OF DIRECTORS
OF ITG HOLDING S.P.A. ON THE DEMERGER PLAN OF
THE PARTIAL AND PROPORTIONAL DEMERGER OF
SNAM S.P.A.
TO
ITG HOLDING S.P.A.

PURSUANT TO ARTICLES 2506-*TER* AND 2501-*QUINQUIES* OF THE CIVIL CODE

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Report of the Board of Directors of ITG Holding S.p.A. on the demerger plan of partial and proportional demerger of Snam S.p.A. to ITG Holding S.p.A., pursuant to Articles 2506-*ter* and 2501-*quinquies* of the Civil Code.

This report (the "**Report**"), in accordance with the provisions of Articles 2506-*ter* and 2501-*quinquies* of the Civil Code, describes the partial and proportional demerger (the "**Demerger Plan**") of Snam S.p.A. ("**Snam**" or the "**Demerged Company**") to ITG Holding S.p.A. ("**ITG Holding**" or the "**Beneficiary Company**"), approved by the Board of Directors of Snam and ITG Holding, respectively, on 28 June and 27 June 2016, which was prepared, filed and registered pursuant to the law on the basis of the financial statements for the year ended 31 December 2015 and approved by the Ordinary Shareholders' Meeting of the Demerged Company on 27 April 2016 (the "**2015 Financial Statements**"), and the statement of financial position of ITG Holding at 1 June 2016.

* * *

1. INTRODUCTION

The industrial and corporate reorganization involves the separation of Italgas S.p.A. ("**Italgas**") from Snam (the "**Transaction**"). The Transaction will be executed such that the Transfer (as defined below), the Sale (as defined below) and the Demerger (as defined below) occur in a unitary and substantially simultaneous manner.

Through the Transaction, which entails an industrial and corporate reorganisation, the entire equity investment held at the date of this Report by Snam in Italgas, equal to 100% of the share capital of Italgas, will be transferred to ITG Holding.

The Italgas Group is the leading operator in Italy within the natural gas urban distribution sector.

Specifically, the Transaction, which will occur in a unitary and substantially simultaneous manner, involves:

a) the transfer in kind by Snam to ITG Holding of a stake equal to 8.23% of the share capital of Italgas (the "**Transfer**"), in exchange for the allocation to Snam of 108,957,843 newly issued shares of ITG Holding, in order to enable Snam to hold, post-Demerger (as per point c), a stake of 13.50% in the Beneficiary Company (0.03% deriving from the treasury shares held by Snam);

b) the sale by Snam to ITG Holding of 98,054,833 shares of Italgas, equal to 38.87% of the share capital of Italgas (the "**Sale**"), for a price of €1,503 million, to be paid through a *vendor loan* on the part of the Beneficiary Company, enhancing part of its stake in Italgas and generating an adequate level of financial debt for the Beneficiary Company, taking into account the Beneficiary Company's activity, risk and cash flow generation profile; and

c) the partial and proportional demerger of Snam (the "**Demerger**"), with the allocation to ITG Holding of a stake equal to 52.90% held by the Demerged Company in Italgas (the "**Demerged Assets and Liabilities**"), and consequent allocation to Snam shareholders of the remaining 86.50% of the Beneficiary Company's share capital.

In order to support the Transaction-related decisions of the Boards of Directors of the companies participating in the Demerger, Snam has appointed Colombo & Associati S.r.l. (the "**Expert**"), in its capacity as a proven expert operating independently from the Company, ITG Holding and the respective shareholders that can exercise significant control over said companies, to write:

(i) (sworn) reports on the value of Snam's equity investment in Italgas (including the stakes in investee companies) in order to comply with applicable regulations, particularly, based on the structure of the Transaction, Article 2343-*ter*, paragraph 2 of the Civil Code with regard to the Transfer and Article 2343-*bis*, paragraph 2 of the Civil Code with regard to purchases by the company from promoters, founders, shareholders and directors; and
(ii) a report, requested by Snam on a voluntary basis, with the aim of estimating the actual value of the net asset allocated to the Beneficiary Company following the Demerger.

The adequacy of the Transfer and Sale values and the value of the net asset assigned to the Beneficiary Company as part of the Demerger are confirmed in the reports mentioned in points (i) and (ii) above.

As a result of the Transaction, the ITG Holding Group shall be required:

(i) to repay intercompany loans currently outstanding with the Demerged Company; and

(ii) to pay the Demerged Company the price arising from the Sale by repaying the vendor loan.

Such debts will be repaid by ITG Holding through:

(i) the use of credit lines, in relation to which, on 28 June 2016, select major banks and leading institutions have already signed several binding commitments (without prejudice to what is stated in the next paragraph) for a total of €3.9 billion, which contain the main terms and conditions of the Beneficiary Company's future financing that will be available on the effective date of the Demerger; and

(ii) following the accession of the European Investment Bank, the finalisation of a discharge of contractual debts for Snam, effective as of the effective date of the Demerger, of two loans granted to the Demerged Company by the European Investment Bank for a total of €424 million and intended to finance Italgas projects.

All of the aforementioned commitments assumed by the lending institutions are subject, on the one hand, to the same conditions precedent as those of the Transaction as referred to in Paragraph 2.3.2 and, on the other hand, to further typical conditions for transactions of this type such as the absence of malfunctions or severe deterioration of the markets.

As stipulated in the memorandum of understanding dated 28 June 2016 between Snam, CDP Reti S.p.A. ("**CDP Reti**") and CDP Gas S.r.l. ("**CDP Gas**") (the "**Memorandum of Understanding**"), the entire Transaction also provides that Snam, CDP Reti and CDP Gas enter into a shareholders' agreement (the "**Shareholders' Agreement**") relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of ITG Holding upon the outcome of the Transaction. The Shareholders' Agreement shall have a term of three years and shall be renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of *governance* which, following the implementation of the Transaction, shall apply to ITG Holding and Italgas.

As a result of the Demerger, each Snam shareholder will hold, in place of shares of Snam, two separate equity securities representing the different areas of business in which Snam is engaged at the date of this Report. Specifically, these areas are: natural gas transportation, dispatching, regasification and storage (Snam share); and natural gas distribution (ITG Holding share).

Snam's shareholders will be allocated shares of the Beneficiary Company, proportionate to the shares held by each in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ITG Holding share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to purchase at market prices the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli S.p.A. ("**Monte Titoli**"), within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

In addition to the conditions of law, including, specifically, the favourable vote of the Snam Shareholders' Meeting, the efficacy of the Transaction is conditioned upon:

(i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the *Mercato Telematico Azionario* ("**MTA**");

(ii) the issuance of the judgement of equivalence by the Italian Securities and Exchange Commission ("**CONSOB**"), pursuant to Article 57, paragraph 1, letter d) of CONSOB Resolution 11971/1999, as amended (the "**Issuer Regulations**") in relation to the information document prepared pursuant to Article 70 of the Issuer Regulations (the "**Information Document**"), supplemented pursuant to said Article 57 of the Issuer Regulations; and

(iii) the approval by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA.

The Transaction schedule provides that, subject to the fulfillment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

In addition, the deeds relating to the Transaction are conditional so as to ensure that the individual steps defined in the Transaction occur in a unitary and substantially simultaneous manner.

Following the Demerger, Snam shares will continue to be listed on the MTA.

2. DESCRIPTION OF AND REASONS FOR THE DEMERGER

2.1 Description of the Companies Participating in the Demerger

2.1.1 Beneficiary Company

ITG Holding S.p.A., incorporated on 1 June 2016, with registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and registration number in the Milan Business Registry: 09540420966. The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

At the date of this Report, the fully subscribed and paid-up share capital of ITG Holding was €50,000, comprising 50,000 ordinary shares with no par value.

Subject to the issuance of the necessary authorisations, the shares of ITG Holding will be admitted to trading on the MTA.

2.1.2 Demerged Company

Snam S.p.A., with its registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), tax code and Milan Companies Register No: 13271390158.

At the date of this Report, the fully subscribed and paid-up share capital of Snam was €3,696,851,994.00, comprising 3,500,638,294 ordinary shares with no par value.

Shares of Snam are admitted to trading on the MTA.

2.2 Reasons for and purpose of the Demerger

2.2.1 Financial reasons and benefits of the Demerger

This is primarily a business Transaction aimed at separating the Snam Group's Italian gas distribution activities (carried out by Italgas Group) from its gas transportation and dispatching, regasification and storage activities in Italy and abroad. Within this context, the structure of the Transaction in its three stages mentioned above (i.e. Transfer, Sale and Demerger, which will be completed simultaneously) will ensure fulfilment of the twin aims of (i) providing Snam with a post-Demerger stake of 13.50% in the Beneficiary Company (derived almost completely from the Transfer), and (ii) enhancing part of its stake in Italgas by giving, at the same time, the Beneficiary Company a sufficient level of financial debt in view of its business, risk and cash flow generation profiles (via the Sale).

The reason for the Transaction is the belief that the gas distribution activities (which are the subject of the Demerger) present very specific characteristics that are different from the rest of the Snam Group's activities in terms of operational organization, competitive context, regulation and investment requirements.

Distribution is primarily a local business awarded on a fixed-term concession basis by local and regional authorities and carried out using mainly metropolitan low-pressure pipeline

networks that transport the gas to the redelivery points of end customers. The distribution business is also more labour intensive than the Snam Group's other businesses, requires frequent interaction with local authorities and is based on continual small-scale investment.

Despite being based on the same principles of reference as the Snam Group's other regulated activities, the regulatory framework for distribution presents a series of its own peculiarities in terms of the way in which operating costs are recognised on a parametric basis because of the hugely fragmented nature of the market, in which there are many competitors.

From an operational perspective, Italgas is preparing for a journey that will be characterized over the next few years by local tender processes for concessions, which are expected to result in a more concentrated market with an opportunity for economies of scale and operating synergies.

Two distinct groups will emerge from the Demerger, each focused on its own business and with clearly identified, market-visible objectives. Both groups should have the autonomy required to best capitalise on strategic growth opportunities and a well-defined operational profile that will allow them to fulfill their potential.

2.2.2 Outlook and plans of the Demerged Company

The Transaction means that the Post-Demerger Snam Group will be able to concentrate on its transportation, storage and regasification activities in Italy and abroad in a bid to maximize the value of its existing asset portfolio and capitalise on new development opportunities.

As an additional opportunity, the Post-Demerger Snam Group intends to retain a stake of 13.50% in Italgas so it can benefit from the future growth and value creation of this company.

2.2.3 Outlook and plans of the Beneficiary Company

The Beneficiary Company's role will be to manage the equity investment in Italgas.

Over the coming years, Italgas will be involved in gas distribution service tenders at local level, as defined by industry regulations (Ministerial Decree 226/2011). In order to cope effectively with this commitment, the company expects to have upgraded its technical structures and the related process by the end of 2016.

In particular, the company is in the process of finishing its revision and computerisation of most its technical and production processes, from designing and implementing projects to managing works, maintaining and running distribution facilities and overseeing map updates, including by way of new workforce management tools enabling, among other things, the on-site production of summaries of the activities carried out by corporate management systems.

In compliance with the resolutions of the Electricity, Gas and Water Authority (the "**AEEGSI**") (Resolution ARG/gas 155/08 as amended), work will continue on the replacement of all meters (even domestic ones) with smart meters.

Italgas will also be able to:

- benefit from opportunities for growth arising from changes in the market through more effective use of financial debt, including by way of an investment grade credit rating, just like the other Italian operators;

- increase its market share and react more effectively if the tender timetable is brought forward;

- enjoy more flexibility with regard to investments, since the restrictions that come with being part of the Snam Group, i.e. competing against other investment opportunities and being bound by Snam's debt, will no longer apply;

- obtain direct access to the capital markets, enabling it to finance future growth.

2.3 Main legal aspects of the Demerger

2.3.1 The Demerger

The Demerger consists of a partial and proportional demerger of Snam to ITG Holding, the share capital of which is entirely held by Snam as at the date of this Report. The allocations to the Beneficiary Company cover the 52.90% equity investment of the Demerged Company in Italgas (for a description of the assets and liabilities to be transferred to the Beneficiary Company as a result of the Demerger, see the paragraph below "Assets and liabilities allocated to the Beneficiary Company").

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the number of shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ordinary share of the Beneficiary Company for every five Snam shares held.

Since this is a partial and proportional demerger of a company whose share capital is, at the date of this Report, and will remain up to the effective date of the Demerger (the "**Demerger Effective Date**"), wholly owned by the Demerged Company, the Demerger in no way entails a change in the value of the equity investments held by the shareholders of the Demerged Company, and therefore – partly based on the opinion expressed by the Milan Council of Notaries in Regulation No 23 of 18 March 2004, prepared by its own Companies Committee – the conditions remain in place for the exemption, set out in Article 2506-*ter*, paragraph 3 of the Civil Code, from the need to write the expert report mentioned in Article 2501-*sexies* of the Civil Code.

Pursuant to and for the purposes of the combined provisions of Articles 2506-*ter* and 2501-*quater* of the Civil Code, the Beneficiary Company's statement of financial position at the date of its incorporation (1 June 2016) was drawn up, and was approved by the Board of Directors of ITG Holding.

Availing itself of the option available under said Article 2501-*quater* of the Civil Code, the Demerged Company has used the 2015 Financial Statements.

The 2015 Financial Statements were made available to the shareholders and the public on 5 April 2016, in accordance with the methods described by law.

The Demerger will take legal effect on the later of: the date when the Demerger deed is recorded in the relevant Companies Register pursuant to Article 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed. The Demerger Effective Date shall coincide with the start date of negotiations about the shares of ITG Holding on the MTA. The Demerger is likely to take effect before 31 December 2016.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the above-mentioned Demerger Effective Date.

2.3.2 Admission to trading of shares of the Beneficiary Company and conditions of the Demerger

In addition to the conditions of law, including, in particular, the favourable vote of Snam's Shareholders' Meeting, the effectiveness of the Transaction is subject to:

(i) the issuance of Borsa Italiana's order admitting the Beneficiary Company's shares to trading on the MTA;

(ii) the issuance of the judgement of equivalence by CONSOB pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the Information Document, supplemented pursuant to said Article; and

(iii) the approval by the bondholders of the Demerged Company.

Subsequent to the Transaction, the shares of the Beneficiary Company will be traded on the MTA.

The schedule of the Transaction provides that, subject to the fulfilment of the conditions set out under points (i), (ii) and (iii), the Demerger will probably take effect by 31 December 2016.

At any time, even following approval of the Demerger Plan by the shareholders of the companies involved in the Demerger, the proceedings whereby the Beneficiary Company's shares are admitted to trading on the MTA could be interrupted or suspended, if suitable conditions to pursue the listing were deemed not present.

The initial trading date for shares in the Beneficiary Company will be fixed by Borsa Italiana with suitable notice and will coincide with the Demerger Effective Date, which will fall on a trading day.

At the date of this Report, the Beneficiary Company does not plan to request the admission to trading of its shares on other markets.

2.3.3 Amendments to the bylaws of the Demerged Company

The bylaws of the Demerged Company will not be amended, except for amendments that will be made to Article 5 in order to reflect the reduction in the share capital of the Demerged Company on completion of the Demerger.

Article 5 - Share capital

The current text of Article 5, paragraph 1 reads as follows: "*The share capital is €3,696,851,994.00 (three billion six hundred and ninety-six million eight hundred and fifty-one thousand nine hundred and ninety-four), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value*".

As a result of the Demerger, the share capital of the Demerged Company will be reduced by €961,181,518.44, to €2,735,670,475.56.

Following the Demerger, Article 5.1 of the bylaws of the Demerged Company will read as follows: "*The share capital is €*2,735,670,475.56 *(two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point five six), divided into 3,500,638,294 (three billion five hundred million six hundred and thirty-eight thousand two hundred and ninety-four) shares with no par value*".

The bylaws of Post-Demerger Snam are attached to the Demerger Plan as Annex A.

2.3.4 Amendments to the bylaws of the Beneficiary Company

The shareholders' meetings convened to approve this Demerger Plan will be empowered to deliberate on the change of the corporate name and the registered office.

Subsequent to the Transaction, the shares of the Beneficiary Company will be admitted to trading on the MTA. Therefore, the Beneficiary Company's Shareholders' Meeting called to approve the Demerger will also be asked to resolve upon adopting, effective from the date of filing the request for admission to trading with Borsa Italiana, bylaws that comply with the provisions for listed companies in Legislative Decree No 58 of 24 February 1998, as amended (the "**Consolidated Finance Act**" or "**TUF**") and the relevant implementing regulations.

These bylaws, which are attached to the Demerger Plan as Annex B, will be broadly in line with those governing Post-Demerger Snam, except for what is described below, and, notwithstanding that the Beneficiary Company's shares will give their holders the same rights as those granted by shares in the Demerged Company.

Article 2 of the bylaws of ITG Holding will be amended slightly compared to Article 2 of Snam's bylaws in order to promptly bring the corporate purpose of the Beneficiary Company into line with the business it will perform after the Demerger. Therefore, the Beneficiary Company's corporate purpose will be to exercise, directly and/or indirectly, in Italy and abroad, including through direct or indirect equity investments in companies, entities or enterprises, in regulated gas sector activities, and in particular the distribution and metering of all kinds of gas in all its applications. The Beneficiary Company will also be able to perform any other economic activity fundamentally or tangentially linked to one or more of the above-mentioned activities (and therefore, by way of example and to the extent permitted by the rules for the sector in force from time to time, any activity included in the gas and hydrocarbons industry in general), as well as any activity that can be performed using the same infrastructure as said aforementioned activities.

In addition, in line with the change to the corporate purpose, authorisation by the shareholders will no longer be required to approve decisions concerning the sale, transfer, leasing, usufruct or any other act of disposal, including by way of a joint venture, or restrictions on the disposal of the company or strategic business units involved in activities relating to the transportation and dispatching of gas.

Article 12.3 of Snam's bylaws, which requires a qualified majority to approve the resolutions of the Extraordinary Shareholders' Meeting, will also be eliminated.

In addition, Article 5 of the bylaws of ITG Holding will be amended to reflect the share capital increase (i) totalling €40,000,000.00 as a result of the Transfer, and (ii) totalling €961,181,518.44 as a result of the Beneficiary Company being allocated the Demerged Assets and Liabilities. The share capital of the Beneficiary Company will therefore total €1,001,231,518.44, comprising 809,135,502 shares with no par value, of which 699,902,209 will be awarded to Snam shareholders as a result of the Demerger (an additional 225,450 shares will be awarded to Snam in exchange for the treasury shared held by Snam).

As such, following the Demerger, the new Article 5 of the bylaws of the Beneficiary Company will read as follows: "*The share capital is €*1,001,231,518.44 *(one billion one million two hundred and thirty-one thousand five hundred and eighteen point forty-four), divided into* 809,135,502 *(eight hundred and nine million one hundred and thirty-five thousand five hundred and two) shares with no par value*".

Lastly, Article 13 of the bylaws of ITG Holding, relating to the appointment of the Board of Directors of the Beneficiary Company, will be amended to provide a mechanism whereby nine members are appointed based on lists. Seven directors are taken from the first list according to number of votes and two directors are taken from the minority lists using a proportional mechanism (quotient). This mechanism shall apply starting from the renewal of the Board of Directors of ITG Holding, *i.e.* after two years from the first appointment of the Board of Directors of the Beneficiary Company.

3. ASSETS AND LIABILITIES ALLOCATED TO THE BENEFICIARY COMPANY AND EFFECTS OF THE DEMERGER ON ASSETS AND LIABILITIES

3.1 Assets and liabilities allocated to the Beneficiary Company

As a result of the Demerger, the Demerged Company will assign to the Beneficiary Company an equity investment of 52.90% of the share capital of Italgas. In accordance with the principle of continuity of accounting values, the assignment will take place at a carrying value, which is €1,569,211,964.76, corresponding to 52.90% of the total cost of €2,966,473,384.94.

Company name	Registered office	Share capital in euros	% stake held by Snam	Shares held	REA No	Snam book value in euros as at 31 December 2015
Italgas S.p.A.	Turin	252,263,314.00	100	252,263,31	Turin No 1082	2,966,473,384.94

No other asset or liability item of the Demerged Company, other than those expressly mentioned, will be awarded. The value of the net asset awarded is therefore €1,569,211,964.76.

Ostiense Property Complex

In this regard, together with the Demerger, Snam's rights and obligations in relation to the property complex in Roma Ostiense (the "**Property Complex**"), will be transferred to the Beneficiary Company as a resultof specific contractual arrangements entered into during the sale by Eni S.p.A. ("**Eni**") of 100% of its share capital in Italgas to Snam, which occurred in 2009 (as summarised below).

On 12 February 2009, Snam (then Snam Rete Gas, now Snam) and Eni signed a sale and purchase agreement (the "**Sale and Purchase Agreement**") for the purchase by Snam of 100% of the share capital of Italgas, the proprietary company of, *inter alia*, the Property Complex, consisting of land and overlying buildings, located in Rome, Ostiense area.

On 30 June 2009, the parties signed a private deed to implement the Sale and Purchase Agreement.

The Sale and Purchase Agreement, as integrated by the following agreements entered into by the parties, provides, in particular, for a commitment by Eni to purchase, from Italgas, the Property Complex and Eni's right to receive, from Snam, by way of adjustment of the price of Italgas shares and together with the sale of the Property Complex, an amount equal to the difference between the appraised value of the Property Complex and its RAB value as at 31 December 2007, after the deduction of fiscal charges and the duly documented ancillary costs associated with the sale of the Property Complex to Eni. In relation to the environmental costs, the Italgas' shares price adjustment mechanism will include the difference between the appraised value of those costs and the cost accounted for in the provisions for the

environmental risks relating to the Property Complex in Italgas financial statements as at 31 December 2008.

In the event of failure to complete the sale and purchase of the Property Complex, and by virtue of the provisions in the Italgas Sale and Purchase Agreement, Snam has the right to be indemnified by Eni for environmental liabilities in excess of the amount recorded in the Italgas financial statements as at 31 December 2008 and for the related events that occurred prior to 30 June 2009 (the date of transfer of Italgas shares from Eni to Snam). It is also expected that Eni shall reimburse Snam for any environmental liabilities incurred and documented by Italgas after 31 December 2008, net of the corresponding tax effect.

In execution of the aforementioned agreements, on 24 October 2012 Snam and Eni signed a further agreement under which they agreed to make their respective subsidiaries, Italgas and Eniservizi S.p.A. ("**Eniservizi**"), sign a sale and purchase agreement relating to the Property Complex, preceded by a preliminary agreement.

On 8 April 2014, Eniservizi and Italgas signed the preliminary agreement for the sale of the Property Complex for €21,972,391.00, which was established as a fixed, unchangeable amount, regardless of the actual extent of remediation that will be necessary on the site. Consistent with the applicable accounting principles, the fund relating to the reclamation costs for the Property Complex was not adequate.

With respect to the business activity carried out by Italgas and by its subsidiaries, in addition to what has already been reported, the following should be noted.

The natural gas distribution service is based on concessions currently awarded by the individual municipalities in which Italgas operates. The distribution service consists of carrying gas through local pipelines from transportation network connection points to points for redelivery to end-users (domestic or industrial customers). The service is carried out on behalf of companies authorised to market gas.

Based on information provided to the Electricity, Gas and Water Authority (the "**AEEGSI**"), in 2014, approximately 230 companies distributed natural gas in approximately 7,100 municipalities in Italy, to approximately 23 million customers.

Italgas, along with its subsidiaries Napoletanagas S.p.A. ("**Napoletanagas**") and ACAM Gas S.p.A. ("**ACAM Gas**"), manages a distribution network of approximately 57,000 km and has a gas distribution concession in 1,472 municipalities, of which 1,401 are operational, with 6.526 million active meters at Redelivery Points ("**RPs**") for end-users.

The Italgas Group is Italy's leading distributor of natural gas in urban areas in terms of number of RPs.

Italgas also has non-controlling interests in other natural gas distribution companies, for which it acts as the primary industrial shareholder. These companies, which are not consolidated by Italgas, are mentioned below.

The values shown below are taken from the respective financial statements, drafted in accordance with the provisions of the Civil Code (and Legislative Decree 127/1991 in the

case of consolidated financial statements) and the accounting principles drawn up by the National Board of Certified Public Accountants and Bookkeepers and by the Italian Accounting Organisation ("**OIC**").

- **Toscana Energia S.p.A. (48.08%)**

  Toscana Energia S.p.A. ("**Toscana Energia**") is 51.25% owned by public bodies, including a 20.6% stake held by the municipality of Florence, and 0.67% owned by private shareholders.

  Toscana Energia performs the distribution service in 104 municipalities across Tuscany, with around 790,000 active RPs and more than 1 billion cubic metres of gas carried in 2015.

  At 31 December 2015, Toscana Energia's revenues of some €125 million generated EBIT of approximately €61 million and a net profit of approximately €40 million.

- **Umbria Distribuzione Gas S.p.A. (45%)**

  The remaining 55% of Umbria Distribuzione Gas S.p.A. ("**Umbria Distribuzione**") is owned by ASM Terni S.p.A. (40%) and Acea S.p.A. (15%).

  As the holder of an 11-year mandate which began in August 2007, Umbria Distribuzione manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructure owned by Terni Reti S.r.l., a wholly owned subsidiary of the Terni municipality.

  The natural gas distribution network managed by Umbria Distribuzione extends for 397 kilometres, with around 50,000 active RPs and 54 million cubic metres of gas carried.

  At 31 December 2015, Umbria Distribuzione's revenues of approximately €6.5 million generated EBIT of some €550,000 and a net profit of approximately €310,000.

- **Metano S. Angelo Lodigiano S.p.A. (50%)**

  The remaining 50% of Metano S. Angelo Lodigiano S.p.A. ("**Metano Lodigiano**") is owned by the municipality of S. Angelo Lodigiano.

  Metano Lodigiano holds the gas distribution concessions in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

  Metano Lodigiano serves around 9,700 RPs and carries 17 million cubic metres of gas in 2015.

  At 31 December 2015, Metano Lodigiano's revenues of approximately €1.5 million generated EBIT of some €540,000 and a net profit of approximately €350,000.

On 21 June 2016, the Italgas Board of Directors called a Shareholders' Meeting to be held on 18 July 2016 to deliberate on the distribution of a dividend for the financial year 2015, equal to €274,563,390.96 million.

3.2 Effects on the assets and liabilities of the Demerger

3.2.1 Effects of the Demerger on the assets and liabilities of the Demerged Company

The Demerger will yield a proportional reduction of €1,569,211,964.76 in the Demerged Company's net asset, by way of a reduction of €961,181,518.44 in share capital and a reduction of €608,030,446.32 in reserves. Specifically, the legal reserve will be reduced by €192,236,303.69 and the share premium reserve by €415,794,142.63.

Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

3.2.2 Effects of the Demerger on the assets and liabilities of the Beneficiary Company

The Demerger will yield a corresponding increase of €1,569,211,964.76 in the Beneficiary Company's net asset, attributed (i) to share capital in the amount of €961,181,518.44, thereby increasing the share capital from €40,050,000 to €1,001,231,518.44 via the issuance of 700,127,659 new shares; and (ii) to reserves in the total amount of €608,030,446.32. The legal reserve will increase by €192,236,303.69 and the share premium reserve by €415,794,142.63.

A summary of the aforementioned effects on the assets and liabilities of the Demerged Company and the Beneficiary Company is shown below. In particular, the first column shows the Demerged Company's net asset items at 31 December 2015, while the second and third columns show, respectively, the post-Demerger breakdown of the net asset of the Beneficiary Company and the Demerged Company.

	Snam pre-Demerger (31 December 2015)	**ITG Holding post-Demerger (*)**	**Snam post-Demerger**
Share capital	3,696,851,994.00	961,181,518.44	2,735,670,475.56
Legal reserve	739,370,398.80	192,236,303.69	547,134,095.11
Share premium reserve	1,604,214,715.01	415,794,142.63	1,188,420,572.38
Other reserves	(29,979,837.77)		(29,979,837.77)
Net profit at 31 December 2015	824,675,951.88		824,675,951.88
Total	6,835,133,221.92	1,569,211,964.76	5,265,921,257.16

(*) The items of net asset awarded to ITG Holding after the Demerger and allocated to the share capital and legal reserve have been calculated on a proportional basis, *i.e.* the ratio of the Demerged Assets and Liabilities to Snam's net asset at

31 December 2015, net of the effects of allocating 2015 income, as decided by the Shareholders' Meeting of 27 April 2016. The amount allocated to the share premium reserve was calculated on top of the total value of the Demerged Assets and Liabilities.

The following summarises the balance sheet effects on the net asset of the Demerged Company and the Beneficiary Company, as a result of the entire Transaction (Constitution, Transfer, Sale and Demerger), also including the effects resulting from the allocation of the net profit for 2015, approved by the Shareholders' Meeting of 27 April 2016.

(€ million)

Snam	**31 December 2015 (pre-Transaction)**	**Distribution of 2015 dividend**	**Snam post-dividend distribution**	**Sale**	**Demerger**	**Snam post-Transaction**
Share capital	3,697		3,697		(961)	2,736
Legal reserve	739		739		(192)	547
Share premium reserve	1,603	(50)	1,553		(416)	1,137
Other reserves	(29)		(29)	350 (*)		321
Net profit	825	(825)				
Snam net asset	**6,835**	**(875)**	**5,960**	**350**	**(1,569)**	**4,741**

ITG Holding	**Establishment**	**Transfer**	**Sale**	**Demerger**	**ITG Holding post-Transaction**
Share capital	€50,000	40		961	1,001
Legal reserve				192	192
Share premium reserve		204		416	620
Other reserves			(350) (*)		(350)
ITG Holding net asset		**244**	**(350)**	**1,569**	**1,463**

(*) The reserve, a positive value for the Demerged Company and a negative value for the Beneficiary Company, is recognised against the Sale and is equal to the difference between the Sale price and the corresponding fraction of the cost of the holding.

3.3 Actual values of the net asset allocated to the Beneficiary Company and the net asset remaining with the Demerged Company

Pursuant to Article 2506-*ter*, paragraph 2 of the Civil Code, it is hereby stated that:

a) the actual value of the net asset that will be allocated to the Beneficiary Company as a result of the Demerger is no less than the relative book value amounting to €1,569,211,964.76, corresponding to 52.90% of the overall cost of the equity investment held by Snam in Italgas at 31 December 2015, *i.e.* €2,966,473,384.94; and

b) the actual value of the net asset that will remain with the Demerged Company as a result of the Demerger is no less than the relative book value (which was €5,265,921,257.16 at 31 December 2015).

4. ALLOCATION RATIO FOR SHARES OF THE BENEFICIARY COMPANY AND ALLOCATION PROCEDURES

As a result of the Demerger, Snam's shareholders will be allocated shares in the Beneficiary Company in proportion to the shares held by each shareholder in the Demerged Company at the time of the Demerger. The allocation will take place based on a ratio of one ITG Holding share for every five Snam shares held. After the allocation, Snam's shareholders will hold a total share of 86.50% of the share capital of the Beneficiary Company. No cash adjustment is therefore provided for.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to trade the fractional shares of the Beneficiary Company, through the depositary intermediaries enrolled with Monte Titoli, within the limits required to enable shareholders to hold, to the highest possible extent, a whole number of shares.

The shares of the Beneficiary Company will be awarded to entitled parties electronically using authorised intermediaries, starting from the Demerger Effective Date and according to the time frames and methods published with suitable notice.

Subject to the issue of the necessary authorisations at the time of allocation, the shares of the Beneficiary Company will be admitted to trading on the MTA. The initial date of trading of ITG Holding shares on the MTA will be established by Borsa Italiana with a specific order.

In exchange for the treasury shares held by Snam at the date of this Report (1,127,250), which will not be allocated, in addition to retaining the above shares, the Demerged Company will receive 225,450 shares of the Beneficiary Company.

In addition to such number of shares, the following should be taken into account (i) the Beneficiary Company shares held by Snam as at the date of this Report, resulting from the incorporation of the Beneficiary Company (50,000), and (ii) the ITG Holding shares that will be awarded to Snam following the Transfer of its 8.23% stake in Italgas to ITG Holding (108,957,843).

As a result of the above, Snam will hold 13.50% of the Beneficiary Company's share capital after the Transaction.

5. PROJECTIONS ON THE COMPOSITION OF THE OWNERSHIP STRUCTURE OF THE DEMERGED COMPANY AND OF THE BENEFICIARY COMPANY AFTER THE DEMERGER

5.1 Ownership structure of Snam and the related effects of the Demerger

At the date of this Report, there are no shareholders purporting to exercise control over Snam as defined in Article 2359 of the Civil Code and Article 93 of the TUF. The shareholder Cassa Depositi e Prestiti S.p.A. ("**CDP**") declared, with effect from the financial statements as at 31 December 2014, that it had de facto control over Snam within the meaning of international accounting standard IFRS 10 – Consolidated Financial Statements.

According to the shareholder register, communications received and other information available to Snam, as at the date of this Report, the following shareholders directly or indirectly hold 3% or more of the Demerged Company's share capital with voting rights:

Declarant	Direct shareholder	Proportion of ordinary share capital (%)
CDP	CDP Reti S.p.A. (1)	28.98
	CDP Gas s.r.l. (2)	1.12
MINOZZI ROMANO	Finanziaria Ceramica Castellarano S.p.A.	0.26
	Iris Ceramica Group S.p.A.	1.412
	Minozzi Romano	1.361

(1) Company in which CDP holds 59.1% and State Grid Europe Limited holds 35%, with the remaining 5.9% held by Italian institutional investors.

(2) Wholly owned subsidiary of CDP.

At the date of this Report, Snam holds 1,127,250 treasury shares, equal to 0.03% of the share capital, while Snam's subsidiaries do not hold, and are not authorised by their respective shareholders' meetings to acquire, Snam shares.

Snam has approximately eighty thousand shareholders at the date of this Report.

Since it is partial and proportional, the Demerger will not result in any change in Snam's ownership structure.

5.2 Ownership structure of ITG Holding and the related effects of the Demerger

At the date of this Report, the Beneficiary Company's share capital is wholly owned by Snam.

As a result of the Demerger, all shareholders of the Demerged Company will receive Beneficiary Company shares in proportion to their stakes. The Demerged Company's

shareholders will receive 86.50% of the Beneficiary Company's shares, while the Demerged Company itself will hold on to the remaining 13.50%.

This means that, assuming there are no changes to the ownership structure of the Demerged Company, the shareholders with 3% or more of the Beneficiary Company's share capital as at the Demerger Effective Date are as follows:

Declarant	**Direct shareholder**	**Proportion of ordinary share capital (%)**
CDP	CDP Reti S.p.A.	25.08
	CDP Gas s.r.l.	0.97
SNAM	SNAM	13.50

Of Snam's 13.50% stake in the Beneficiary Company, 13.47% comes from the Transfer of Snam's 8.23% stake in Italgas to the Beneficiary Company, and the remaining 0.03% comes from the awarding of Beneficiary Company shares in proportion to the treasury shares held prior to the Demerger Effective Date.

As stipulated in the Memorandum of Understanding dated 28 June 2016 between Snam, CDP Reti and CDP Gas S.r.l., the entire Transaction also provides that Snam, CDP Reti and CDP Gas enter into the Shareholders' Agreement relating to the equity investments which will be held in the Beneficiary Company, amounting to 13.50%, 25.08% and 0.97%, respectively. A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure of ITG Holding upon the outcome of the Transaction. The Shareholders' Agreement shall have a term of three years and shall be renewable. Specifically, the Memorandum of Understanding aims to regulate, by means of the Shareholders' Agreement, the main terms for implementing the Transaction, the rights deriving from the execution of the Shareholders' Agreement and the general provisions of *governance* which, following the implementation of the Transaction, shall apply to ITG Holding and Italgas.

6. DESCRIPTION OF THE RIGHTS ASSOCIATED WITH THE SHARES TO BE ALLOCATED TO THE DEMERGED COMPANY'S SHAREHOLDERS

Shares of the Beneficiary Company will be allocated to the Demerged Company's shareholders in the amount and according to the allocation criteria described in the above paragraph "Allocation ratio for shares of the Beneficiary Company and allocation procedures".

These shares will have exactly the same characteristics as the shares of the Demerged Company owned by each shareholder of this company.

Other than ordinary shares, no issues of shares of the Beneficiary Company are planned.

Shares of the Beneficiary Company that will be allocated to the Demerged Company's shareholders will incur dividend rights from the Demerger Effective Date.

The net profits, as they appear on the financial statements, are distributed as follows:

- 5% to legal reserves, until these reach one fifth of the share capital;
- the remainder, at the discretion of the Shareholders' Meeting, either in full or in part, to shareholders or to create or bolster reserves.

Dividends not collected within five years of the date on which they became payable revert to the Beneficiary Company. Interim dividends may be distributed in accordance with the law.

Should the Beneficiary Company be wound up at any time, for whatever reason, the Shareholders' Meeting will be responsible for establishing how the company will be liquidated.

No shares have been issued entitling the holders to special rights, and there are no share ownership schemes in place for managers and employees.

7. DEMERGER EFFECTIVE DATE AND DATE OF RECOGNITION OF THE TRANSACTIONS IN THE BENEFICIARY COMPANY'S FINANCIAL STATEMENTS

The Demerger will take legal effect on the later of: the date when the Demerger deed is recorded in the relevant Companies Register pursuant to Article 2506-*quater* of the Civil Code or on the date indicated in the Demerger deed. The Demerger Effective Date shall coincide with the start date of negotiations about the shares of ITG Holding on the MTA. The Demerger is likely to take effect before 31 December 2016.

Equally, the shares of the Beneficiary Company awarded to the Demerged Company's shareholders will qualify for a share of the Beneficiary Company's profits as of the legal Demerger Effective Date.

The Transaction is being conducted under the going-concern principle insofar as it is assumed it is a business combination involving entities or businesses under common control, since the companies participating in the business combination (Snam, ITG Holding and Italgas) are and will remain consolidated as a result of the Transaction, as defined by IFRS 10 – Consolidated Financial Statements, by the same entity (CDP).

Pursuant to Article 2501-*ter*, No 6 of the Civil Code, referred to in Article 2506-*quater* of the Civil Code, the accounting effects of the Demerger will apply as of the Demerger Effective Date. As such, the accounting effects of the Demerger will be applied to the Beneficiary Company's financial statements as of said effective date.

8. INCENTIVE PLANS

At the date of this Report, the Demerged Company has no incentive plans for the directors or the employees.

9. TAX EFFECTS OF THE TRANSACTION

The Demerger is tax neutral for the purpose of direct taxation as defined in Article 173 of Presidential Decree No 917 of 22 December 1986, as amended ("**Consolidated Income Tax Act**" or "**TUIR**"). Specifically, under Italian tax law, the Demerger does not result in the parties involved making profits or incurring losses that are significant for tax purposes.

For the Demerged Company, the transfer of part of its net asset to the Beneficiary Company results neither in goodwill nor in latent capital gains or losses amongst its assets and liabilities. Similarly, the assets acquired by the Beneficiary Company are received at the same tax value they had when held by the Demerged Company. Any difference between the book value of these assets and their value for tax purposes will be shown in a dedicated reconciliation statement on the tax return.

The Demerged Company's taxable positions and the related obligations are allocated to the Beneficiary Company and the Demerged Company in proportion to the respective shares of book net asset transferred or retained, although taxable positions related specifically or as a group to the demerged assets and liabilities remain with the Beneficiary Company.

Any deferred tax reserves in the Demerged Company's most recent separate financial statements are reduced in proportion to the reduction in the related book net asset. This reduced amount in the Demerged Company must be reconstituted within the Beneficiary Company in proportion to the respective shares of book net asset transferred by the Demerged Company, unless the tax deferral depends on events affecting particular assets and liabilities, in which case the deferred tax reserves must be reconstituted by the Beneficiary Company that receives these assets and liabilities. Similarly, the Demerged Company's deferred tax reserves that were capitalised before the Demerger are transferred to the capital of the Beneficiary Company and form part of income in the event of a capital reduction due to surplus.

The provisions of Article 173 of the TUIR apply to any circumstances not expressly mentioned for the purpose of income taxes.

With regard to indirect taxation, the Demerger is not subject to value added tax (VAT), pursuant to Article 2, paragraph 3, letter f) of Presidential Decree 633/1972, and is subject to fixed registration duty, pursuant to Article 4, letter b), part one of the Tariff annexed to Presidential Decree 131/1986.

Lastly, the change in the original equity investments resulting from the Demerger constitutes neither the realisation nor distribution of capital gains or losses for the Demerged Company's shareholders. With regard to each shareholder, the division of the tax value of the stake originally held in the Demerged Company must respect the existing ratio of the effective value of the equity investments received by the Beneficiary Company and the effective value of each shareholder's equity investment in the Demerged Company. However, for the Demerged Company's shareholders not resident for tax purposes in Italy, the tax regime in force in their respective countries of residence should be verified with local advisors.

***

The Chairman

Avv. Marco Reggiani

Annex 4

Report by the External Auditors on the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group for the year ended 31 December 2015

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Independent auditors' report on the examination of the pro-forma consolidated financial statements of the Post-Demerger Snam Group

(*Translation from the original Italian text*)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, demergers, acquisitions or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation of the Information Document by Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of Snam S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We examined the pro-forma consolidated balance sheet, income statement and cash flow statement (the "Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group") accompanied by the explanatory notes of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") as of and for the year ended 31 December 2015.

   Such Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group derive from the historical financial information related to the consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro-forma adjustments applied to such financial information and examined by us.

   The consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015 have been audited by us and we have issued our auditors' report on 5 April 2016.

   The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the proportional partial demerger of Snam in favour of ITG Holding S.p.A. ("ITG Holding" and, together with Italgas S.p.A. and its subsidiaries, the "ITG Holding Group") and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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2. The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group, accompanied by the explanatory notes, have been prepared pursuant to Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

   The scope of the preparation of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated balance sheet of the Snam Group, as if such Transaction virtually occurred on 31 December 2015 and, with respect to the economic and financial effects only, at the beginning of the year 2015. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

   The Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group are the responsibility of Snam's Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro-forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.

4. In our opinion, the assumptions adopted by Snam for the preparation of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group as of and for the year ended 31 December 2015, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are reasonable and the methodology utilized for the preparation of the above mentioned financial information has been properly applied for the information purpose described above. Finally, we believe that the valuation criteria and the accounting principles have been properly applied for the preparation of the Pro-Forma Consolidated Financial Statements of the Post-Demerger Snam Group.

Turin, 4 July 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

Annex 5

Report by the External Auditors on the Pro-Forma Consolidated Financial Statements of the ITG Holding Group for the year ended 31 December 2015

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Independent auditors' report on the examination of the pro-forma consolidated financial statements of the ITG Holding Group

(*Translation from the original Italian text*)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, demergers, acquisitions or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.

Accordingly, a report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation of the Information Document by Snam S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A. (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of ITG Holding S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We examined the pro-forma consolidated balance sheet, income statement and cash flow statement (the "Pro-Forma Consolidated Financial Statements of the ITG Holding Group") accompanied by the explanatory notes of ITG Holding S.p.A. ("ITG Holding" and, together with Italgas S.p.A. and its subsidiaries, the "ITG Holding Group") as of and for the year ended 31 December 2015.

   Such Pro-Forma Consolidated Financial Statements of the ITG Holding Group derive from the historical financial information related to the consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union, and from the pro-forma adjustments applied to such financial information and examined by us.

   The consolidated financial statements of the Snam Group as of and for the year ended 31 December 2015 have been audited by us and we have issued our auditors' report on 5 April 2016.

   The ITG Holding Consolidated Pro-Forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the proportional partial demerger of Snam S.p.A. ("Snam" and, together with its subsidiaries, the "Snam Group") in favour of ITG Holding and of certain related transactions, namely: (i) the contribution in kind by Snam to ITG Holding of 8.23% investment in the share capital of Italgas S.p.A. ("Italgas"); (ii) the sale by Snam to ITG Holding of 38.87% investment in the share capital of Italgas; and (iii) the settlement of the existing financial relationships between Snam and the ITG Holding Group and the resulting autonomous refinancing of the latter (collectively, the "Transaction").

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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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2. The Pro-Forma Consolidated Financial Statements of the ITG Holding Group, accompanied by the explanatory notes, have been prepared pursuant to Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

   The scope of the preparation of the Pro-Forma Consolidated Financial Statements of the ITG Holding Group is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated statement of the financial position of the ITG Holding Group, as if such Transaction virtually occurred on 31 December 2015 and, with respect to the economic and financial effects only, at the beginning of the year 2015. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

   The Pro-Forma Consolidated Financial Statements of the ITG Holding Group are the responsibility of Snam's Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro-Forma Consolidated Financial Statements of the ITG Holding Group and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro-forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.

4. In our opinion, the assumptions adopted by Snam for the preparation of the Pro-Forma Consolidated Financial Statements of the ITG Holding Group as of and for the year ended 31 December 2015, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are reasonable and the methodology utilized for the preparation of the above mentioned financial information has been properly applied for the information purpose described above. Finally, we believe that the valuation criteria and the accounting principles have been properly applied for the preparation of the Pro-Forma Consolidated Financial Statements of the ITG Holding Group.

Turin, 4 July 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

Annex 6

Reports by the External Auditors on the Projected Data of the Snam Group and of the ITG Holding Group contained in this Information Document

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Independent Auditors' Report on the examination of prospective financial information

In accordance with Article 8.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended

(*Translation from the original Italian text*)

The European Commission's regulation on Prospectuses n° 809/2004, adopted by CONSOB in Italy with CONSOB Regulation n° 11971/99, as amended, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, demergers, acquisitions or disposals by Italian listed companies requires that, when forecasts or estimates are presented, the Informational Document contain "a report prepared by the independent auditors stating that in their opinion the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the International Auditing and Assurance Standards Board ("IAASB") of IFAC -International Federation of Accountants.

Accordingly, an independent auditors' report on the examination of the prospective financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation by Snam S.p.A. of the Information Document, pursuant to Article 70 of the Regulation adopted by CONSOB with Resolution no. 11971/99 and subsequent changes in application of Legislative Decree n. 58/98 as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies for the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A..

The following is the English language translation of the original Italian independent auditors' report on the examination of the prospective financial information of ITG Holding S.p.A. under the above mentioned Italian Regulation, in accordance with Article 8.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies and cannot be used, in whole or part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We have examined the prospective financial information included in the strategic plan that defines the strategic guidelines and targets, together with the assumptions and elements on which they are based, of ITG Holding S.p.A. (the "Company" or "ITG Holding") and of the companies operating in the gas distribution activity that, upon completion of the proposed proportional partial demerger of Snam S.p.A. ("Snam") in favour of ITG Holding, will be controlled by ITG Holding (the "ITG Holding Group"), for the period of five years from 2016 to 2020 (the "Italgas Strategic Plan" or the "Plan"). The Board of Directors of Italgas S.p.A. and the Board of Directors of Snam approved the Plan, respectively, on 21 June 2016 and 28 June 2016, which report: (i) ITG Holding Group net financial debt at the end of 2016, estimated to be approximately Euro 3.7 billion, compared to a pro-forma consolidated net financial debt of approximately Euro 3.5 billion at 31 December 2015, (ii) technical investments during the period of the Plan for a total of approximately Euro 2 billion; (iii) increase in the market share from the current market share of approximately 30% to approximately 40%, at the end of the Local Tender Process in terms of Redelivery Points ("RP"); and (iv) a growth of the consolidated Regulatory Asset Base ("RAB") from approximately Euro 5.7 billion at the end of 2015 to more than Euro 7 billion at the end of the Local Tender Process (the "Forecast Data"). The Forecast Data, the assumptions and the

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elements on which they are based are included in Paragraph 8.3 "Forecast Data" of the information document (the "Information Document") related to the proportional partial demerger of Snam in favour of ITG Holding (the "Transaction"). The Forecast Data and the related assumptions and elements set forth in the Information Document, as well as the preparation of the Plan, are the responsibility of Snam's directors and were prepared on the basis of the consolidated financial information of Snam as of 31 December 2015 and assuming the completion of the Transaction as if it had occurred on 1 January 2016.

2. The Forecast Data has been prepared using a set of assumptions about future events and actions that will have to be undertaken by directors that include, inter alia, general and hypothetical assumptions about future events, influenced by risks and uncertainties affecting the current macroeconomic scenario, and directors' actions that may not necessarily occur, and events and actions on which directors and management may not or may only partially have an influence, regarding the trend of the main financial and economic indicators or other factors that influence their evolution (the "Hypothetical Assumptions"). Such Hypothetical Assumptions, described in Paragraph 8.3 "Forecast Data" of the Information Document, relate to: (i) the positive completion of all steps of the Transaction, including the admission to trading of the shares of ITG Holding on the Mercato Telematico Azionario ("MTA"), in compliance with the expected timeline; (ii) the successful outcome of the refinancing on the market of the ITG Holding Group, including the potential issuance of listed notes; (iii) the effectiveness of the schedule of the upcoming tenders for the award of the gas distribution service in the various ATEMs envisaged by management; (iv) the achievement of the success rate envisaged by management with regard to the upcoming tenders for the award of the gas distribution service in the various ATEMs in which the ITG Holding Group expects to take part; (v) the RAB value as an indicator of the Reimbursement Value to be paid to the outgoing operators in the context of the upcoming tenders for the award of the gas distribution service in the various ATEM ; and (vi) the confirmation of the forecasts relating to natural gas' demand in Italy in the medium/long-term or changes in applicable regulations.
3. Our examination has been performed in accordance with procedures provided for these engagements by the International Standard on Assurance Engagements ("ISAE") 3400 "The Examination of Prospective Financial Information" issued by IFAC - International Federation of Accountants.
4. Based on our examination of the evidence supporting the assumptions and the elements used to prepare the Forecast Data included in Paragraph 8.3 "Forecast Data" of the Information Document, nothing has come to our attention which causes us to believe, to date, that these assumptions and elements do not provide a reasonable basis for the preparation of the Forecast Data, assuming the occurrence of the Hypothetical Assumptions about future events and directors' actions mentioned in paragraph 2. above. Further, in our opinion the Forecast Data are properly prepared on the basis of the above mentioned assumptions and are presented in accordance with accounting principles consistent with those applied by Snam in the preparation of the consolidated financial statements as of 31 December 2015.
5. However, it should be noted that due to the uncertainties of the occurrence of future events, with respect to the realization of the event and its quantification and time of occurrence, variations between actual results and those forecasted in the Forecast Data may be material, even if the events anticipated under the Hypothetical Assumptions mentioned in paragraph 2. above, occur.
6. This report has been prepared for the sole purposes of the requirements of Article 8.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Legislative Decree n. 58/98 concerning the regulations governing Italian listed companies, and cannot be used, in whole or part, for any other purposes.

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7. We have no responsibility to update this report for events and circumstances occurring after the current date.

Turin, 4 July 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

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Independent Auditors' Report on the examination of prospective financial information

In accordance with Article 7.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended

(*Translation from the original Italian text*)

The European Commission's regulation on Prospectuses n° 809/2004, adopted by CONSOB in Italy with CONSOB Regulation n° 11971/99, as amended, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, demergers, acquisitions or disposals by Italian listed companies requires that, when forecasts or estimates are presented, the Informational Document contain "a report prepared by the independent auditors stating that in their opinion the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the International Auditing and Assurance Standards Board ("IAASB") of IFAC -International Federation of Accountants.

Accordingly, an independent auditors' report on the examination of the prospective financial information was issued by the independent auditors of Snam S.p.A., in connection with the preparation by Snam S.p.A. of the Information Document, pursuant to Article 70 of the Regulation adopted by CONSOB with Resolution no. 11971/99 and subsequent changes in application of Legislative Decree n. 58/98 as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies for the proportional partial demerger of Snam S.p.A. in favour of ITG Holding S.p.A..

The following is the English language translation of the original Italian independent auditors' report on the examination of the prospective financial information of Snam S.p.A. under the above mentioned Italian Regulation, in accordance with Article 7.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies and cannot be used, in whole or part, for any other purposes.

To the Board of Directors of
Snam S.p.A.

1. We have examined the prospective financial information included in the strategic plan that defines the strategic guidelines and targets, together with the assumptions and elements on which they are based, of Snam S.p.A. (the "Company" or "Snam") and its subsidiaries upon completion of the proposed proportional partial demerger of Snam in favour of ITG Holding S.p.A. (the "Post-Demerger Snam Group"), for the period of five years from 2016 to 2020 (the "Post-Demerger Snam Strategic Plan" or the "Strategic Plan"). The Board of Directors of the Company approved the Strategic Plan on 28 June 2016, which reports: (i) investments over the period 2016-2020 for a total of Euro 4.3 billion, of which Euro 0.9 billion in 2016; (ii) growth of the consolidated Regulatory Asset Base ("RAB") of the transportation, LNG and storage businesses at an annual average rate of approximately 1%, compared to Euro 19.2 billion estimated at the end of 2015; and (iii) increase in net profit, as compared to the estimated pro-forma 2016 amount of approximately Euro 0.8 billion (the "Forecast Data"). The Forecast Data, the assumptions and the elements on which they are based are included in Paragraph 7.3 "Forecast Data" of the information document (the "Information Document") related to the proportional partial demerger of Snam in favour of ITG Holding S.p.A. ("ITG Holding" and together with Italgas S.p.A. and its subsidiaries the "ITG Holding Group") (the "Transaction"). The Forecast Data and the related assumptions and elements set forth in the Information Document, as well as the preparation of the Strategic Plan, are the responsibility of Snam's directors and were prepared on the basis of

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the consolidated financial information of Snam as of 31 December 2015 and assuming the completion of the Transaction as if it had occurred on 1 January 2016.

2. The Forecast Data have been prepared using a set of assumptions about future events and actions that will have to be undertaken by directors that include, inter alia, general and hypothetical assumptions about future events, influenced by risks and uncertainties affecting the current macroeconomic scenario, and directors' actions that may not necessarily occur, and events and actions on which directors and management may not or may only partially have an influence, regarding the trend of the main financial and economic indicators or other factors that influence their evolution (the "Hypothetical Assumptions"). Such Hypothetical Assumptions, described in Paragraph 7.3 "Forecast Data" of the Information Document, relate to: (i) the positive completion of all steps of the Transaction, including the admission to trading of the shares of ITG Holding on the *Mercato Telematico Azionario* ("MTA"), in compliance with the expected timeline; (ii) the successful outcome of the refinancing on the market of the ITG Holding Group; (iii) the confirmation of the forecasts relating to natural gas' demand in Italy in the medium-long term; (iv) the renewal of Stogit S.p.A.'s concessions related to the storage plants after their expiration; and (v) the expected developments in the applicable regulatory framework.
3. Our examination has been performed in accordance with procedures provided for these engagements by the International Standard on Assurance Engagements ("ISAE") 3400 "The Examination of Prospective Financial Information" issued by IFAC - International Federation of Accountants.
4. Based on our examination of the evidence supporting the assumptions and the elements used to prepare the Forecast Data included in Paragraph 7.3 "Forecast Data" of the Information Document, nothing has come to our attention which causes us to believe, to date, that these assumptions and elements do not provide a reasonable basis for the preparation of the Forecast Data, assuming the occurrence of the Hypothetical Assumptions about future events and directors' actions mentioned in paragraph 2. above. Further, in our opinion the Forecast Data are properly prepared on the basis of the above mentioned assumptions and are presented in accordance with accounting principles consistent with those applied by the Company in the preparation of the consolidated financial statements as of 31 December 2015.
5. However, it should be noted that due to the uncertainties of the occurrence of future events, with respect to the realization of the event and its quantification and time of occurrence, variations between actual results and those forecasted in the Forecast Data may be material, even if the events anticipated under the Hypothetical Assumptions mentioned in paragraph 2. above, occur.
6. This report has been prepared for the sole purposes of the requirements of Article 7.4 of Scheme 2 of Annex 3B to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Legislative Decree n. 58/98 concerning the regulations governing Italian listed companies, and cannot be used, in whole or part, for any other purposes.
7. We have no responsibility to update this report for events and circumstances occurring after the current date.

Turin, 4 July 2016

EY S.p.A.

Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers

Annex 7

Opinion of Snam’s Control, Risk and Related-Party Transactions Committee

The official text was published in Italian on 5 July 2016

San Donato, 28 June 2016

To the members of the Board of Directors

of Snam S.p.A.

Re: Opinion of the Control and Risk Committee of Snam S.p.A. pursuant to art. 8 of the Regulations on Related-Party Transactions adopted with CONSOB resolution no. 17221 of 12 March 2010 and art. VI of the Procedure for governing transactions involving the interests of the Directors and Statutory Auditors and related-party transactions, approved on 30 November 2010 by the Board of Directors of Snam S.p.A. and subsequently amended.

Dear Sirs,

The Control, Risk and Related Parties Transactions Committee, consisting of independent non-executive directors (the "**Committee**") of Snam S.p.A. ("**Snam**" or the "**Spun-off Company**" or the "**Company**") has examined the Transaction – as described and defined below – for the purposes of issuing this reasoned opinion on a transaction of major importance (the "**Opinion**"), pursuant to articles 11 and 8 of the Regulations on Related-Party Transactions, adopted with CONSOB resolution no. 17221 of 12 March 2010, as subsequently supplemented and amended (the "**RPT Regulations**") and articles VI and VII of the Procedure on transactions involving the interests of the directors and statutory auditors and related-party transactions, approved on 30 November 2010 by the Board of Directors of Snam and subsequently amended, after receiving the favourable and unanimous opinion of the Committee, on 13 February 2012, on 12 December 2013 and 17 December 2014 (the "**RPT Procedure**").

1 Description of the Transaction

1.1. The Phases of the Transaction

Snam intends to carry out an operation of industrial and corporate reorganisation through which the entire shareholding currently held by Snam in Italgas S.p.A. ("**Italgas**"), amounting to 100% of the share capital of Italgas itself, will be transferred to a newly created company called "ITG Holding S.p.A." ("**ITG Holding**" or the "**Beneficiary Company**") as a result of the corporate changes indicated below.

Specifically, the transaction (the "**Transaction**") consists of:

a) the contribution in kind by Snam to the benefit of ITG Holding of a shareholding amounting to 8.23% of the share capital of Italgas (the "**Contribution**") in return for the assignment to Snam of 108,957,843 newly issued shares in ITG Holding, which will allow Snam to hold, *post* Spin-Off (pursuant to point c), a shareholding of 13.50% in the Beneficiary Company;

b) the sale by Snam to ITG Holding of 98,054,833 shares in Italgas, amounting to 38.87% of the share capital of Italgas itself (the "**Sale**"), for the price of 1,503 million euros, payment of which will take the form of a *Vendor Loan* for the Beneficiary Company;

c) the partial and proportional Spin-Off of Snam (the "**Spin-Off**") with assignment to ITG Holding of a shareholding amounting to 52.90% held by the Spun-off Company in Italgas and with the consequent assignment to the shareholders of Snam of the remaining 86.50% of the capital of the Beneficiary Company; and

d) as prescribed in the *memorandum of understanding* negotiated between CDP Reti S.p.A. ("**CDP Reti**"), CDP Gas S.p.A. ("**CDP GAS**") and Snam, and subject to the approval of the respective Boards of Directors (the "**Memorandum of Understanding**"), the signing by Snam, CDP Reti and CDP Gas of a shareholders' agreement (the "**Shareholders Agreement**") relating to the shareholdings respectively held in the Beneficiary Company, amounting to 13.5%, 25.08% and 0.97% in order to ensure that ITG Holding has a stable and transparent ownership structure upon completion of the Transaction.

As a result of the Transaction the shares of the Beneficiary Company will be admitted for trading on the Telematic Share Market. The effectiveness of the Transaction is therefore dependent on the legal conditions, including, in particular, the favourable vote of the Shareholders' Meeting of Snam, as well as:

a) on the issuance of the Borsa Italiana S.p.A. measure for admitting the shares of the Beneficiary Company to the trading on the Telematic Share Market;

b) on the issue of the declaration of equivalence by CONSOB pursuant to art. 57, subsection 1, letter d) of the regulations approved by CONSOB with resolution no. 11971 on 14 May 1999, as subsequently supplemented and amended ("**Issuer Regulation**") in relation to the information document drawn up pursuant to art. 70 of the Issuer Regulation, supplemented pursuant to the same art. 57 of the Issuer Regulation; and

c) on the approval of the Transaction by the bond-holders of the Spun-Off Company.

1.2. The relevant circumstances for the purposes of applying the RPT Procedure

As clarified by CONSOB with Communication no. DEM/10078683 of 24 September 2010, a proportional spin-off where the equity of the listed company is spun-off into the beneficiary with the proportional assignment of the shares to its shareholders and the consequent undifferentiated treatment of the latter does not constitute a "Related-Party Transaction" pursuant to the RPT Regulations. In light of the above, the Spin-Off of Snam with the assignment to ITG Holding of a shareholding of 52.90% of Italgas and the proportional assignment of the shares of ITG Holding to the shareholders of Snam does not constitute a "Related-Party Transaction" and therefore should not be subject to the application of the procedure prescribed by "Transactions of Major Importance" pursuant to art. 7 of the RPT Regulations.

On the contrary, the Contribution in Kind by Snam to the benefit of ITG Holding of a shareholding of 8.23% of Italgas as well as the Sale by Snam to ITG Holding of a shareholding of 38.87% of Italgas, do fall within the definition of a "Related-Party Transaction" insofar as concluded with a related party of Snam, in other words ITG Holding, which is 100% controlled by Snam. However, art. 14, subsection 2, of the RPT Regulations and art. X, paragraph 8, of the RPT Procedure require that the procedures to be applied in the case of a Related-Party Transaction are not applied in the case of transactions concluded with subsidiaries (ITG Holding).

The Transaction, as established in the Memorandum of Understanding, also prescribes that Snam sign a Shareholders' Agreement. As of today, Cassa Depositi e Prestiti S.p.A. ("**CDP**") holds, via CDP Reti and CDP Gas, respectively 28.98% and 1.12% of Snam's share capital with voting rights, which would allow it to exercise considerable influence over Snam pursuant to art. 2 of Annex 1 of the RPT Regulations and art. III(a)(ii) of the RPT Procedure. CDP, CDP Reti and CDP Gas therefore qualify as Related Parties of Snam, as defined in Annex 1 to the RPT Regulations and art. 3 of the RPT Procedure). In light of the involvement of CDP as a Related Party of Snam in the Transaction (particularly in view of the signing of the Memorandum of Understanding and the Shareholders' Agreement), Snam has therefore subjected the entire Transaction to the "Transactions of Major Importance" procedure set out in art. 8 of the RPT Regulations and art. VI of the RPT Procedure.

For these reasons, of the various phases of the Transaction referred to above, the signing of the Shareholders' Agreement, referred to in letter d), deserves special consideration. The Committee, in order to express its Opinion on the Transaction as a whole, should in fact check, in particular, that the structure resulting from the Shareholders' Agreement can be deemed consistent with the structure that two independent parties would have negotiated under similar circumstances.

Snam has therefore implemented the actions and measures laid down by the RPT Regulations for transactions of "major importance". In particular, in compliance with art. 8 of the RPT Regulations, (i) the Committee, versed in expressing its reasoned opinion, was duly informed of the Transaction and was involved in the investigation phase of the Transaction receiving a complete and prompt flow of information, (ii) the Committee requested and received information from the parties instructed to conduct the negotiations relating to the Transaction, (iii) on the indication of the Committee an independent expert, Prof. Avv. Antonio Nuzzo (the "**Expert**") was given a mandate to assist the Committee in issuing its opinion on the Transaction, (iv) the Expert prepared his opinion on the correctness of the Transaction in legal terms, with specific reference to Snam's relationship with its related parties (CDP, a Snam shareholder via CDP Reti and CDP Gas) (the "**Expert Opinion**").

During the preparatory and investigation phases of the Transaction, the Committee met on 26 May 2016, 20 June 2016 and 28 June 2016.

It is acknowledged that the members of the Committee received information on the Transaction, starting with the renewal of the corporate bodies on 27 April 2016, *(i)* during the Board meetings on 11 and 31 May 2016, *(ii)* at the *Board Induction* meeting on 24 May 2016, as well as, finally *(iii)* at the in-depth analysis meeting for Directors and Statutory Auditors on 22 June 2016. On the basis of this information, as well as the in-depth analyses carried out during the Committee meeting, the Members of the same Committee prepared this opinion.

For completeness, it is acknowledged that the Committee, with the composition of the previous mandate, received information on the Transaction at the board meetings of 24 February, 16 March and 13 April 2016. Finally, with a letter dated 9 February 2016, the Chief Executive Officer of Snam informed the Chairman of the Committee on the role of CDP, which qualifies as a Related Party of Snam, as part of the strategic options in the natural gas Distribution sector.

1.3. The provisions of the Shareholders' Agreement

According to what we were told by the management, the Shareholders' Agreement was negotiated with the aim of establishing a structure consistent with Snam's interest in maintaining an interest in ITG Holding for the purpose of generating value in it.

In order to achieve this aim, the Shareholders' Agreement is set to contain the following provisions:

a) a consultation committee ("**Consultation Committee**") shall be set up, consisting of five members: 4 representatives of CDP Reti, (1 of which shall be appointed by State Grid Europe Limited ("**State Grid**")) and 1 representative of Snam. The Consultation Committee shall resolve on the exercising of voting rights in relation to the shares of ITG Holding by the parties of the Shareholders' Agreement. The parties of the Shareholders' Agreement shall vote in relation to their shares in ITG Holding on the basis of what the Consultation Committee has decided as a majority, except for Snam's rights in relation to the Confidential Matters (as defined below);

b) in relation to certain resolutions of ITG Holding deemed to be extraordinary in nature (the "**Confidential Matters**") [1] , should the Committee adopt resolutions without the favourable vote of the representative of Snam, Snam shall be entitled to: (i) sell its entire shareholding in ITG Holding to potential third party buyers (in this case CDP Reti shall have a pre-emption right to purchase the shareholding and the right to approve the third-party buyer, it being understood that the third party must enter into the Shareholders' Agreement), and (ii) in the event that the transfer does not take place within 12 months, to withdraw from the Shareholders' Agreement resulting in its dissolution;

c) Snam may not increase or fractionally sell its shareholding in ITG Holding (the "**Snam Shareholding**"). Snam may sell its shareholding at any time, but only in its entirety and in compliance with the following rules: (i) CDP Reti shall have a right of first refusal on the purchase of this shareholding and the right to approve (not simply consent) the third-party purchaser, and (ii) the third party must enter the Shareholders Agreement at the same conditions as Snam; and

d) CDP Reti, CDP Gas and other parties connected to them may not purchase additional shares or other financial instruments of ITG Holding if the relevant thresholds for the purposes of the rules on the takeover bid obligation are exceeded as a result of such purchases. CDP Reti and CDP Gas may not sell the shares they hold in ITG Holding if, as a result of these sales, the overall shareholding attributable to the Shareholders' Agreement goes below 30%.

The Shareholders' Agreement also provides that CDP Reti, CDP Gas and Snam submit a joint slate for the appointment of the Board of Directors of ITG Holding to ensure that 1 candidate is designated by Snam and the remaining candidates are designated by CDP Reti (1 of which shall be designated by State Grid) for the hypothesis in which this list comes first in terms of the numbers of votes obtained at the shareholders' meeting of ITG Holding.

[1] The aforementioned Confidential Matters shall be: (i) capital increases with the exclusion or limitation of the shareholders' right of pre-emption for a total amount exceeding 20% of the value of the net assets of ITG Holding; (ii) non-proportional mergers or demergers of ITG Holding for a total amount exceeding 20 % of the value of the net assets of ITG Holding; (iii) dissolution or liquidation of ITG Holding.

The Shareholders' Agreement shall last three years and may be renewed upon expiry unless Snam or CDP Reti communicate their intention not to renew with advance notice of 12 months. In the event that Snam indicates its intention not to renew, CDP Reti shall have an option on the Snam Shareholding at fair market value which may be exercised within 12 (twelve) months from communicating withdrawal from the Shareholders' Agreement.

The governance of ITG holding will be in line with the current governance of Snam, without prejudice to the fact that (i) the Board of Directors in office for the first term (of two years) will consist of 9 members, 8 of whom, including the Chief Executive Officer and the Chairman, will be designated by CDP Reti (1 will be designated by State Grid) and 1 director will be designated by Snam. The Board of Directors will be comprised of 4 independent directors, while (ii) as from the first renewal, the Board of Directors will consist of 9 members, of whom 7 directors will be taken from the first slate in terms of the number of votes and 2 directors will be taken from the minority slates with a proportional mechanism (quotients).

2. Nature of the correlation and importance of the Transaction

The Transaction has been subjected to the RPT Procedure as it provides for the signing of a Memorandum of Understanding and Shareholders' Agreement with CDP Reti and CDP Gas, companies respectively 59.1% and 100% controlled by CDP, which in turn indirectly (through the same CDP Reti and CDP Gas) holds 30.10% of Snam's share capital with voting rights, which would allow CDP to exercise considerable influence on the Company pursuant to art. 1, letter (a) point (ii) and art. 1 of Annex 1 of the RPT Regulations.

For these reasons, although the Spin-Off does not constitute a "Related-Party Transaction" (see the aforementioned CONSOB Communication no. DEM/10078683 of 24 September 2010) and the Contribution and Sale fall within the exemption referred to in art. 14, subsection 2 of the RPT Regulations and art. X, paragraph 8 of the RPT Procedure of Snam, the Company has decided to subject the Transaction as a whole to the "Transactions of Major Importance" procedure prescribed by art. 8 of the RPT Regulations and art. VI of the RPT Procedure.

3. The interest upon completion of the Transaction

According to what is written in the 2016 – 2020 Strategic Plan, outlined to the Board of Directors at the meetings on 11, 24 (Board Induction) and 31 May and lastly on 22 June (Pre-Board), the purpose of the Transaction is mainly business-related and its aim is to separate the Snam Group's gas distribution activities in Italy from the gas transmission and dispatching, regasification and storage activities in Italy and abroad. In this context, the structuring of the Transaction into the three steps indicated above (*i.e.* Contribution, Sale and Spin-Off, which will be carried out at the same time) also permits, as already indicated, the twofold objective of (i) allowing Snam to hold, *post* Spin-Off, a shareholding of 13.5% in the Beneficiary Company (through the Contribution), and (ii) providing the Beneficiary Company with a suitable level of financial debt, taking into account its activity, risk and cash flow generation profiles (through the Sale).

The Transaction derives from the consideration that the gas distribution activity (the subject of the Spin-Off) has specific characteristics with respect to the other activities of the Snam Group in terms of operational organisation, competitive context, regulations, and investment needs.

Upon completion of the Spin-Off, two distinct groups will emerge, each focused on its own business and with objectives that are clearly identified and can be easily perceived by the market. It is expected that the two groups, once they are granted the necessary autonomy and efficiency, will have the potential to make the most of strategic opportunities for growth and a clearly defined operating profile that will allow them to fully express their value.

As a result of the Spin-Off, each Snam shareholder will hold, in place of the Snam share, two distinct shares representing the different business areas in which Snam operates on the Date of the Information Document, specifically on the one hand (Snam share) the transmission and dispatching, regasification and storage of natural gas, and on the other (ITG Holding share) the distribution of natural gas. All this has been confirmed, moreover, in the reports by McKinsey and Goldman Sachs which the Committee has acknowledged.

What is more, the Expert Opinion, examining the Transaction as a whole, with particular regard to the relationships with related parties which are established by the signing of the Shareholders' Agreement, found that the structure was consistent with Snam's choice to create value for its shareholding in ITG Holding in order to benefit from the increased value of Italgas post-Spin-Off. In fact, the permanence of Snam's investment in Italgas (in the measure of 13.50%) means that it is reasonable to sign a shareholders' agreement fit to ensure stability in the *governance* and development of Italgas, with a consequent increase in the value of the subsidiary.

The considerations set out above, together with those of the Expert (concerning the conditions and terms of the Shareholders' Agreement, which will be explained more fully below) allow the Committee to confirm the Company's interest in completing the Transaction.

4. Convenience and substantial correctness of the conditions of the Transaction

The Committee acknowledges that Snam has put in place the necessary measures for the correct classification of the Transaction, subjecting it to the "Transaction of Major Importance" procedure set out in art. 8 of the RPT Regulations and art. VI of the RPT Procedure, also ensuring that the dedicated corporate bodies (this Committee first and foremost) act in an informed manner, with transparency and through a complete and prompt flow of information, indicating which elements are still in the final negotiation phase.

With regard to the Spin-Off, a detailed analysis of the conditions relating to it does not seem necessary since, as already stated, it does not constitute a "Related-Party Transaction" (see CONSOB Communication no. DEM/10078683 of 24 September 2010).

Similarly, the Contribution and Sale fall under the case of exemption referred to in art. 14, subsection 2, of the RPT Regulations and art. X, paragraph 8 of Snam's RPT Procedure, which requires that the procedures to be applied in the case of a Related-Party Transaction are not applied in the case of transactions concluded with subsidiaries (ITG Holding). Snam has however chosen not to make use of the exemption set out therein and to subject the Transaction as a whole to the "Transaction of Major Importance" procedure set out in art. 8 of the RPT Regulations and art. VI of the RPT Procedure, on the basis of the previously mentioned involvement of CDP, as a related party of Snam, in the Shareholders' Agreement.

It is therefore appropriate to examine the conditions established by the Shareholders' Agreement. The independent Expert Opinion, commissioned by the Committee, examined the structure of the Shareholders' Agreement to assess whether it is in line with the aim

pursued. On this point, the Expert places particular value on the following aspects of the Shareholders' Agreement:

a) in general terms it permits the consolidation of control in ITG Holding, through a voting syndicate and limits on the sale of the shareholding;
b) it ensures, at least for the first three years, a clear guide for ITG Holding at a time of change and transition for the gas distribution market;
c) it guarantees Snam that it can appoint its own director in ITG Holding (assuming that the slate submitted by the contracting parties comes first) and that it may participate, through its own designated member within the Advisory Committee, in discussions on the strategic choices of ITG Holding;
d) it guarantees Snam that it can increase the value of its shareholding in a satisfactory manner, above all considering that:
   (i). the right to approval reserved for CDP Reti includes "effective approval" and, therefore, any rejection must be backed up by precise reasons; and
   (ii). the Shareholders' Agreement has a limited duration and, upon expiry, Snam may freely dispose of its shareholding, save the CDP Reti call options (which, however, must be exercised at market price and therefore with criteria that properly increase the value of the Snam Shareholding).

After examining the terms and conditions of the Shareholders' Agreement, the Expert stated that the burdens and obligations on Snam deriving from it appear justified by Snam's interest in maintaining a shareholding in the capital of ITG Holding to generate value, and that the Shareholders' Agreement ensures greater stability in terms of governance and the ownership structure.

The Expert underlined that "*in conclusion, on the basis of the preceding considerations, in the writer's opinion there is interest for the Company to complete the related-party transaction with CDP Reti and CDP Gas; the conditions of this operation are also based on criteria of advisability and substantial correctness, in conformity with that laid down under art. 8, subsection 1, letter c) of the "Regulation setting out the provisions on transactions with related parties" issued by Consob and in art. 6 of the procedure Snam-PRO-029-R03*".

In support of the Expert's considerations, it can be added that the Shareholders' Agreement recognizes that Snam plays an important role as regards the Confidential Matters, in relation to which, if Snam's representative in the Advisory Committee expresses an unfavourable opinion, Snam has the right to an accelerated exit which allows it to activate a procedure to sell its shareholding in ITG Holding and, if there are no buyers, or CDP does not exercise its pre-emption right or give its approval, to withdraw from the Shareholders' Agreement. In this regard it is noted that:

a. this remedy seems reasonable also in consideration of the fact that (i) it allows Snam to free itself from the restrictions of transferring its ITG Holding shares and to freely dispose of the same shares and (ii) insofar as it does not constitute a real veto, it is in fact deemed to have a deterrent effect for CDP Reti; and
b. the list of Confidential Matters includes matters of major importance in the life of the Company and appears to be in line with market practice.

Moreover, it should be considered that, with the aim of increasing the value of Snam's shareholding in ITG Holding, the possibility for third-party buyers to take on Snam's position in the Shareholders' Agreement should be viewed positively.

Finally, it can be remarked that the overall structure of Snam's rights has been negotiated between the parties with the help of independent financial and legal advisors with an established reputation.

Therefore, with regard to the Transaction as a whole, and paying particular attention to the Shareholders' Agreement, in light of the involvement of CDP as a Related Party of Snam, and the correlation between the Transaction and the role of Snam, CDP Reti and CDP Gas as parties in the Shareholders' Agreement as set out in the Memorandum of Understanding, the Committee, also in light of that stated in the Expert Opinion, considers that the conditions of the Transaction have the advisability and substantial correctness requirements.

5. Conclusions

Pursuant to and for the effects of articles 11 and 8 of the RPT Regulations and art. VI of the RPT Procedure:

a) having acknowledged the reasons underlying the Transaction explained by the management and briefly summarized above;
b) taking into account the Expert Opinion;
c) in light of the information obtained by the structures of Snam;

the Committee unanimously expresses its favourable opinion on the Company's interest in completing the Transaction, as well as on the advisability and substantial correctness of the relative conditions.

San Donato Milanese, 28 June 2016

THE CHAIRWOMAN

Elisabetta Oliveri

Annex 8

Opinion of Prof. Antonio Nuzzo submitted to the Control, Risk and Related-Party Transactions Committee

Rome, 27 June 2016

To
Control and Risk and Related Parties Transactions Committee
SNAM S.p.A.
Piazza Santa Barbara no. 7
20097 - San Donato Milanese (MI)

By courier and sent in advance by email

Re: Opinion on the subject of transactions with related parties

I was asked an opinion about the correctness, in legal terms, of the operation of industrial and corporate reorganization of Snam S.p.A. (hereinafter also "Snam" or the "Company"), which provides, following the transfer of the shares representing the entire share capital of Italgas S.p.A. (hereinafter also "Italgas") to a *newco* (whose capital will eventually be in the ownership of Snam and its current shareholders), the signing of a shareholders' agreement for the management of the *newco* itself between Snam, Cassa Depositi e Prestiti Reti S.p.A. (hereinafter also "CDP Reti") and Cassa Depositi e Prestiti Gas S.p.A. (hereinafter also "CDP Gas"). My opinion has been requested since these companies are shareholders in Snam and therefore qualify as related parties.

* * *

In this connection I have been informed of the factual elements which I believe may be reconstructed and summarised as follows.

A. Snam is a listed company which carries out gas transport and dispatching, regasification and storage in Italy and abroad, and, through its subsidiary Italgas, gas distribution activities in Italy.

B. The share capital of Snam is currently owned 28.98% by CDP Reti and 1.12% by CDP Gas, while the remaining 69.90% is in ownership spread over the market;

C. Snam intends to carry out an operation of industrial and corporate reorganisation which provides for the transfer of its entire holding in Italgas (equal, as stated above, to 100% of the share capital) to a newly created company called “ITG Holding S.p.A.” (hereinafter also “ITG Holding”), as a result of the following corporate changes (the “Operation”):

    1) the conferment in kind (pursuant to art. 2343- *ter*, paragraph 2, letter b, of the Italian Civil Code) from Snam to ITG Holding of a shareholding equal to 8.23% of the share capital of Italgas in return for the assignment to Snam of 108,957,843 newly issued shares in ITG Holding (the “Conferment in Kind”);

2) the sale by Snam to ITG Holding (in compliance with art. 2343- *bis* of the Italian Civil Code) of a further shareholding equal to 38.87 % of the share capital of Italgas upon payment of a forward consideration *(vendor loan)* by ITG Holding (the "transfer"); as a result of the combined effect of the Conferment in Kind and the Transfer, ITG Holding will acquire 47.10 % of the share capital of Italgas;

3) the proportional partial demerger of Snam with the allocation to ITG Holding, in the capacity of recipient company, of a shareholding equal to the entire remaining shareholding in Italgas owned by Snam (corresponding to 52.90 % of the share capital of Italgas) (the "Demerger"). As a result of the Demerger, all shareholders in Snam will have the right to receive newly-issued shares in ITG Holding representing P 86,50 % of the share capital (in particular, CDP Reti will receive 25.08% of the shares, CDP Gas 0.97% and the remaining 60.45% will be distributed on the market); the remaining 13.50 % will remain in the ownership of Snam;

4) the signing of a shareholders' agreement (the "Shareholders' Agreement") between CDP Reti, CDP Gas and Snam relating to the ITG Holding in respective ownership, with effect from the beginning of trading in shares in ITG Holding on the market.

We emphasize that (i) the efficacy of the demerger, with assignment to all Snam shareholders of newly-issued ITG Holding shares, and (ii) the admission to trading on the Telematic Share Market of all the shares in ITG Holding (the "Listing"), with the subsequent start of trading in the shares, will be substantially simultaneous.

D. The main steps of the Operation (as summarised above in letter c) and the content of the Shareholders' Agreement were defined in a *Memorandum of Understanding* ("MoU") negotiated between CDP Reti, CDP Gas and Snam, which will be submitted for approval by the respective boards of directors. In accordance with the MoU, in particular, the Shareholders' Agreement will contain the following stipulations:

1) there will be an Advisory Committee composed of five members, four of whom will be appointed by CDP Reti (of whom 3 will be nominated by the Cassa Depositi e Prestiti S.p.A. and 1 nominated by State Grid Europe Limited, these last being shareholders in CDP Reti) and 1 nominated by Snam. The Committee will pass resolutions by a majority of its members by virtue of their voting rights corresponding to the shares in ITG Holding belonging to the contracting parties, which will therefore be obliged to vote in the shareholders' meetings of ITG Holding in accordance with what has been decided by the Committee, without prejudice to the rights of Snam in relation to so-called Reserved Matters (as defined below);

2) if the Advisory Committee should adopt resolutions in the above shareholders' meetings. Reserved matters (i.e. capital increases with the exclusion or limitation of the shareholders' right of pre-emption for a total amount exceeding 20% of the value of the net assets of ITG Holding; non-proportional mergers or demergers of ITG Holding for a total amount exceeding 20 % of the value of the

net assets of ITG Holding; dissolution or liquidation of ITG Holding) without the favourable vote of the member appointed by Snam, the latter may (i) sell to third party potential buyers its entire shareholding in ITG Holding (in this case CDP Reti will have a pre-emption right to purchase the shareholding and the effective right to accept or reject a third party buyer accept or reject a third party buyer right of approval, it being understood that the third party must in in this event enter into the Shareholders' Agreement) or (ii) withdraw from the Shareholders' Agreement with consequent automatic dissolution of the latter; in the event that the transfer does not take place within 12 months (due to lack of buyers or because CDP Reti does not exercise its right of pre-emption or does not grant approval);

3) Snam may not increase or fractionally sell its shareholding in ITG Holding (the "Snam Participation") though may sell it in its entirety at any time, in compliance with the following rules: CDP Reti will have a right of first refusal for the purchase of the participation and a right of approval (effective) of the third-party purchaser, which shall become a party to the Shareholders Agreement at the same conditions as Snam;

4) CDP Reti, CDP Gas and their subsidiaries may not purchase additional shares or other financial instruments of ITG Holding if the relevant thresholds for the purposes of the rules on the takeover bid obligation, are exceeded as a result of such purchases. In addition, CDP Reti and CDP Gas may not sell their shareholdings in ITG Holding where, by reason of such sale, the ITG Holding shareholdings covered by the Shareholders Agreement fall below 30% of the share capital;

5) CDP Reti, CDP Gas and Snam will present a joint list for the appointment of the Board of Directors of ITG Holding to ensure that 1 Candidate is designated by Snam; while the remaining candidates will be designated by CDP Reti (1 will be designated by State Grid Europe Limited and the others by Cassa Depositi e Prestiti S.p.A.). In any case, the first two candidates indicated in the list shall be designated by Cassa Depositi e Prestiti S.p.A. (via CDP Reti) and will be appointed respectively as Chairman and CEO of ITG Holding;

6) the Shareholders Agreement will have a duration of three years and will be renewed upon its expiry unless a party manifests a different intention with a 12 months' prior notice. If Snam communicates its intention not to renew the Agreement, CDP Reti will be entitled to purchase the Snam Participation at its fair market value; the option shall be exercised within twelve months of the relevant notice;

7) the Shareholders Agreement may only be modified with the parties' mutual written consent. Snam may not unreasonably withhold its consent and will do everything necessary to implement the changes in the Shareholders' Agreement, with the exception of those concerning governance rights and selling rights provided for in the Shareholders Agreement;

8) the governance of ITG holding will be in line with the current governance of Snam, without prejudice to the fact that (i) the Board of Directors in office for the first term (two years) will consist of 9 members, 8 of whom designated by CDP Reti (1 will be designated by State Grid and the others, including the CEO and the Chairman, by Cassa Depositi e Prestiti S.p.A.) and 1 by Snam. The Board of Directors will also include 4 independent directors, while (ii) as from the first renewal, the Board of Directors will consist of 9 members, of whom 7 Directors (including the CEO and the Chairman) appointed by the majority shareholders and 2 Directors appointed by the minority shareholders.

E. The Operation has essentially industrial purposes, being it aimed at separating the activities of the Snam Group relating to the distribution of natural gas in Italy (entrusted, in fact, to Italgas, precisely) from the other activities carried out by Snam (through subsidiaries) in the fields of gas transportation and dispatching, regasification and storage in Italy and abroad.

The Operation derives in fact from the consideration that the activity relating to gas distribution (the subject of the Demerger) has, compared to the other activities of the Snam group, its own specificity in terms of operational organisation, competitive context, regulations, investment needs.

F. The Demerger will therefore break up the group's joint business: two distinct groups will emerge, each focused on its own business and with objectives that are clearly identified and can be easily perceived by the market. According to Snam, the two groups, once they are granted the necessary autonomy, will have the potential to make the most of strategic opportunities for growth, with a clearly defined operating profile that will allow them to fully express their value.

G. In other words, the Operation would enable Snam to focus on transportation, storage and regasification (in Italy and abroad) in order to maximise the value of its portfolio of current assets and seize new opportunities for growth.

The Operation would likewise allow Snam

(i) to obtain (through the Contribution in Kind) and maintain *(post* -Demerger) a participation equal to 13.50% of the company's capital (ITG Holding) in which the entire Italgas participation would flow, a participation whose value would likely increase given the potential for growth and generation of value in the field of natural gas distribution;

(ii) to generate the conditions required to reduce its debt, transferred in part precisely (through the Sale) to ITG Holding which, according to Snam, would present itself in any case on the market with a level of financial indebtedness that would be adequate to its profile, risks and cash flows.

* * *

In this respect, I have been asked to check the correctness, in legal terms, of the Operation with specific reference to the relationship between related parties (Snam and its shareholders CDP Reti and CDP Gas.

Quite obviously, I have not been asked to assess the merits of the decisions and industrial reasons underlying the Operation which pertain to your Company's managers . Neither have I been asked to assess the procedure adopted by the Company to approve the Operation, to be carried out in accordance with the transparency rules set out in the relevant legislation.

In essence, my opinion will deal with the correctness of the legal instruments used for the Operation, with regard specifically to the relationship between related parties.

The answer to the said question is broken down as follows.

Contents

1. The Operation and its industrial rationale

1. The Operation, as represented, provides for a separation in the activities of the Snam Group. In particular, it produces the transfer, out of the Snam Group, of the activities relating to the distribution of natural gas in Italy, currently carried out by the subsidiary Italgas.

2. In fact, considering the market context, the Company believes that gas distribution has its own specificities which are different from those of the other businesses carried out by the Snam Group (natural gas transportation and dispatching, regasification and storage in Italy and abroad). This is because:

   - the activity is essentially local and is assigned by local competent bodies according to short-term concessions (12 years);

   - mainly city gas pipeline networks at low pressure are used, carrying gas up to the points of delivery to end users;

   - although the regulatory framework of gas distribution is based on the same principles as those of the other regulated activities of the Snam Group, it has significant differences relating to the parameter-based mode of recognition of operating costs, connected to the high fragmentation of the competitive scenario which is characterised by the presence of many operators;

   - the field of gas distribution will enter a new phase over the next few years, marked by the launch of tenders for the assignment of the service, which will lead to greater market concentration as well as to the opportunity to exploit economies of scale and operational synergies;

     the distribution of natural gas is a more labour-intensive business than the other activities of the Snam Group, it requires frequent interactions with local institutions and is based on small-scale and ongoing investments.

3. According to the assessments made by the Company, the Operation would thus allow:

   (i) Snam:

   - to make the most of its existing activities in Italy and of its investments in Europe;
   - to make sure its management focused on the implementation of domestic and international growth;
   - to maximise financial flexibility supporting investments;
   - to maintain its financial solidity;
   - to ensure a more effective reallocation of its debt and the acquisition of new financial resources to support its business,

   (ii) Italgas:

   - to make sure its management focused on the implementation of tender strategy;
   - to have direct access to the financial market as well as to ensure a more efficient use of financial leverage, within the limits imposed by the investment grade rating;
   - to have greater flexibility in its investments, since the limits deriving from it being a member of the Snam Group would no longer apply;
   - to make the most of greater economies of scale and operational efficiency.

4. Ultimately, the separation of the industrial activities of gas distribution would rationalise the Snam Group whilst maximising the growth potential of Italgas. This does not prejudice the fact that Snam intends in any case to invest in the future growth of Italgas: according to the Operation, Snam will maintain, as said above (points C and G), a 13.50% participation (in the capital of ITG Holding).

2. The suitability of the legal instruments used for the Operation

1. The Operation is divided into 4 interconnected stages (see point C above):

   the Contribution in Kind;

   - the Sale;
   - the Demerger;
   - the execution of the Shareholders Agreement.

2. The said legal instruments appear suitable to carry out the Operation and envisage a consistent negotiating regulation in the light, above all, of the purposes declared or anyhow arising from the contractual regulation.

   In this respect, it should be added that, although the terms of the MoU (see point D above) have not yet been fully established, they allow us to sufficiently understand the negotiating balance that is functional to the Operation.

3. The Demerger is obviously at the centre of the Operation. However, it is decisively "tainted" by the steps that come along with it, specifically the Contribution in Kind and the Shareholders Agreement.

4. The proportional (also partial) demerger is an instrument that is neutral *per se* and that is typically used for corporate reorganisations when the members of the company that has resolved the demerger become members, with the same shareholdings, of the company resulting from the demerger. However, in this case, the reorganisation that is the subject of the proportional partial demerger does not fully mirror the ownership of the demerged company (i.e. Snam) since it is preceded by the Contribution in Kind. Snam's maintenance of a 13.50% participation in Italgas inevitably causes a proportional reduction in the shareholdings of the other members (of the demerged Snam):

   CDP Reti will hold a 25.08% stake (compared to 28.98% of Snam shares); CDP Gas 0.97% (compared to 1.12% of Snam shares); the market 60.45% (compared to 69.90% of Snam shares).

5. From the point of view of equity the operation remains substantially neutral: thus, for the market, the lower shareholdig of 60,45% in Italgas is balanced by the fact that Snam (whose shares are widespread on the market for the 69,90%) maintains (via ITG Holding) a shareholding in Italgas of 13,50%. However, the final structure is clearly not the same: the floating in ITG Holding is lower (approximately 9%) than in Snam; on the other hand, the subscription of the Shareholders Agreement in fact consolidates the position of CDP Reti in Italgas.

6. For the purposes of this analysis it is worthwhile to examine the following points.

3. The reasons for maintaining in Snam's possession the shares in Italgas and the Shareholders' Agreement

1. The reason stated by Snam for maintaining (through the contribution in kind) its shareholding (indirect) in Italgas is essentially due to the opportunity to take advantage of the possible growth in value of Italgas *post* spin-off (see letter G above).

2. The above statement is reasonable, in the general context of the planned reorganization of the group company.

3. There is no doubt, on the other hand, that at that point the new ownership structure necessitates the conclusion of a suitable shareholders' agreement. Should this not occur, the contendibility of the listed company inevitably would grow and a possible

instability of the ownership structure could jeopardise the first development phase of ITG Holding.

4. In other words, the permanence of the investment of Snam in Italgas (in reduced measure of 13.50%) entails, as a reasonable consequence, the signing of a shareholders' agreement suitable to ensure stability in the *governance* and development of Italgas, with a consequent increase in the value of the subsidiary.

5. It is then necessary to verify if the Shareholders' Agreement is consistent with this objective, taking account of the provisions contained therein.

6. The Shareholders' Agreement, as it has been observed, lasts three years and essentially provides detailed arrangements for the exercise of the voting rights in the shareholders' meeting and sale of shareholdings. In particular, for what is of concern here,

    a. it provides, as seen above (see letter D above), an Advisory Committee, which shall resolve by a majority of its members with regard to the exercise of voting rights concerning shares of ITG Holding belonging to the contracting parties, indeed obliged to vote in the shareholders' meetings of ITG Holding in accordance with what has been decided by the Committee;

    b. however, if the Advisory Committee should take on c. the so called d. Confidential Matters (see letter D above) deliberations without the favourable vote of the member appointed by Snam, the latter will be able to: (i) transfer to third parties potential buyers its entire shareholding in ITG Holding (in this case CDP Reti will have - as seen - a pre-emption right for the purchase of shareholding and will also have the effective right to accept or reject a third party buyer, which however should in this case enter into the Shareholders' Agreement), or (ii) in the case of failure to transfer within 12 months (for lack of buyers or because CDP networks does not exercise its pre-emption right or does not grant its approval), withdraw from the Shareholders' Agreement with consequent automatic dissolution of the latter;

    c. prevents Snam to increase or divest in fractions its shareholding in ITG Holding;

    d. grants, instead, to Snam the right to sell, in every moment, its entire shareholding; however, given that CDP Reti will have a pre-emption right to purchase such shareholding and an effective right to accept or reject a third party buyer, the latter will have to enter into the Shareholders' Agreement under the same conditions of Snam; in synthesis, Snam can sell its entire stake only with the consent of CDP Reti, alternatively,

        i. to CDP Reti itself where the latter has exercised its pre-emption rights;

        ii. to a third party buyer where the latter agrees to adhere to the Shareholders' Agreement and has obtained the (effective) approval of CDP Reti;

    e. prevents CDP Reti and CDP Gas (and their subsidiaries) from purchasing shares or other financial instruments of ITG Holding where such purchases

exceed the thresholds that are relevant for the purposes of the rules on the take over bid obligation;

f. in addition prevents CDP Reti and CDP Gas to transfer their shares in ITG Holding where for the effect the overall stake subject of the Shareholders' Agreement should fall below 30%;

g. grants to Snam the appointment of a director, with no delegated powers, in ITG holding;

h. grants to the CDP Reti a call option to acquire the entire shareholding of Snam in ITG Holding in the case in which Snam communicates the desire not to renew the Shareholders' Agreement; the exercise of the option should take place within 12 months of the communication and would involve the payment of a fee determined on the basis of the *fair market value.*

7. The Shareholders' Agreement, then, is aimed first and foremost, through a voting syndicate, to consolidate the control in ITG Holding and to ensure stability in the ownership structures by means of rules that restrict the right of the sale of the stake. This interpretation is (albeit indirect) confirmed in the stipulations referred to modification of the Shareholders' Agreement, where it is assumed that it cannot be expected that Snam would accept changes in the rights of the shareholders' agreement referred to *governance* and sale (see above letter D. n. 7).

8. Again, with regard to the assets, it is recalled that CDP Reti and CDP Gas have a shareholding of 30.1% in Snam and would have a holding , post spin-off, of 26.05% in ITG Holding. The Shareholders Agreement would ensure, at least for the first three years, a solid leadership (substantially by CDP Reti) suitable to avoid changes that could slow the development of Italgas, with consequent loss of value of the company at a critical moment in which the distribution market is changing and Italgas is required to adapt to meet the new challenges, first of all in relation to participation in invitations to tender for the allocation of the gas distribution service at territorial level.

9. Again in the context of the Shareholders' Agreement, Snam would have, on the other hand, the guarantee of being able to appoint its own director and therefore be able to participate, through its own designated member within the Advisory Committee, in discussions about the strategic choices of ITG Holding (and, consequently, of the subsidiary Italgas).

   If the Shareholders Agreement was not signed, Snam, while remaining holder of a major shareholding, higher than 13%, would not have any certainty of being able to appoint its own directors in ITG Holding nor of being able to influence the company's decisions, even those on Confidential Issues.

   It would risk, therefore, taking on a purely passive role, as merely a minority shareholder, and debase the value of participation. The participation in the voting syndicate, on the other hand, ensures a prominent position, that can also be proposed to the market.

10. The burdens and obligations on Snam deriving from the Shareholders' Agreement - above all with reference to the rules for transferring the shareholding - appear moreover justified by Snam's interest in maintaining an shareholding in the capital of ITG Holding to generate value: The contribution in kind and Shareholders Agreement represent - as said above (see above nn. 12 and 14) - a prerequisite for and a necessary consequence of the business choice made.

11. Please note, lastly and for completeness, that restrictions on the transferability of the shareholding required by the Shareholders Agreement is well justified by the need to ensure stability. Obviously, in this context, the right of approval reserved for CDP Reti is of particular importance, given that the refusal may in fact deny in an unsurpassable way the possibility to realize the value of Snam's shareholding.

    However, on the one hand, the approval itself could not be refused in an unjustified and specious manner and indeed, being "effective approval", the possible refusal should be the subject of a timely motivation; on the other hand, the shareholders agreement has a limited duration and upon termination Snam may dispose freely of its shareholding, save the CDP Reti call option, however at market price, with criteria to be determined appropriately (see above n. 17). The latter clause, thus conceived, also appears in line with the Snam value generation objectives.

12. Snam has, ultimately, with the signing of the Shareholders' Agreement, which ensures greater stability in *governance* and ownership structure, the opportunity to generate value with their shareholding in ITG Holding in order to benefit, according to the plan underlying the operation, the growth in value of Italgas post spin-off.

* * *

In conclusion, on the basis of the preceding considerations, in the writer's opinion here is interest for the Company to complete the transaction between related parties with CDP Reti and CDP Gas; the conditions of this operation are also based on criteria of advisability and substantial correctness, in conformity with that laid down under art. 8, paragraph 1, letter c) of the "*Regulation setting out the provisions on transactions with related parties*" issued by Consob and in art. 6 of the procedure Snam-PRO-029-R03.

Please consider me at your disposal for any further clarification or information.

Best regards,

Antonio *Nuzzo*

Annex 9

Expert Report prepared pursuant to Article 2343-*ter* paragraph 2 of the Civil Code with reference to the equity investment held by Snam in Italgas (including the equity investments in investee companies) subject of the Transfer

The official text was published in Italian on 5 July 2016

COLOMBO & ASSOCIATI

Valuation report pursuant to Article 2343-*ter* paragraph 2 of the Italian Civil Code, in relation to the transfer by Snam of a 8.23% stake in Italgas to ITG Holding

24 June 2016

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1. Introduction

1.1 Subject of the engagement and purpose of the appraisal

On 13 May 2016, Colombo & Associati S.r.l., with registered office in Milan, Piazza dei Mercanti no. 11 ("**Colombo & Associati**" or "**C&A**"), received the engagement (the "**Engagement**") from Snam S.p.A. ("**Snam**" or the "**Customer**") to prepare a sworn valuation report (the "**Opinion**") pursuant to Article 2343-*ter* paragraph 2 of the Italian Civil Code in relation to the transfer by Snam of a 8.23% stake in Italgas S.p.A. ("**Italgas**" or the "**Company**") in favour of ITG Holding S.p.A. ("**ITG Holding**"), wholly owned by Snam (the "**Transfer**"), (the "**Sale**"), within a broader industrial and corporate restructuring entailing the separation of ownership of Italgas from Snam (the "**Transaction**").

The Opinion therefore concerns first of all the determination of the value of all assets of the Company and, subsequently, the value attributable to the portion of share capital represented by the 20,765,649 ordinary shares with a nominal value of €1 each subject to the Transfer, corresponding to 8.23% of the share capital of the Company.

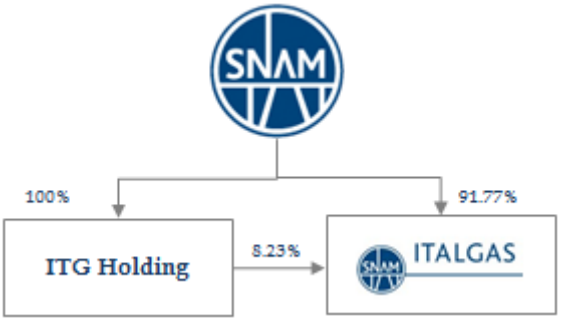
Specifically, this opinion constitutes an "*evaluation which refers to a previous date not more than six months before the sale and conforms to the generally recognised principles and criteria for the evaluation of assets subject to transfer*" pursuant to Article 2343-*ter*, paragraph 2 of the Italian Civil Code.

1.2 Description of the transaction

The Transfer is part of a broader, complex industrial and corporate restructuring aimed at the separation of ownership of Italgas from Snam through the following transactions:

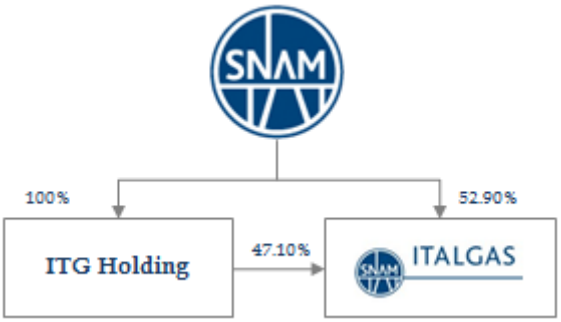
1) Transfer in kind by Snam to ITG Holding of an equity investment consisting of 20,765,649 shares, equal to 8.23% of the share capital of Italgas (Figure 1);

Figure 1: Transfer (8.23% Italgas)



2) Sale by Snam to ITG Holding of 98,054,833 shares of Italgas, representing 38.87% of its share capital, for the issue of a debit note in an amount equal to the value of the transaction in order to provide the saleee company with a level of financial debt consistent with its asset, risk and cash generation profile (Figure 2) (the "**Sale**").

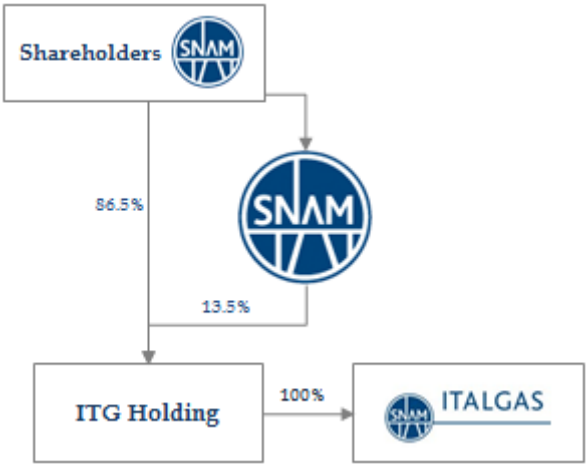
Figure 2: Sale (38.87% Italgas)



3) Partial and proportional Demerger of Snam with the assignment to ITG Holding of the spun-off assets consisting of a 52.90% stake in Italgas (133,442,832 Italgas shares) (Figure 3) (the "**Demerger**"). In particular, as a result of the Demerger, the shareholders of Snam will be assigned, without the payment of any valuable consideration, shares of the beneficiary company (ITG Holding) to an extent proportionate to those held by each in the spun-off company (Snam) at the time of the Demerger. The assignment will take place based on the ratio of one ordinary share of ITG Holding for every five Snam shares held. Following the assignment, the Snam shareholders will hold a total of 86.5% of the share capital of the beneficiary ITG Holding. There will be no adjustment in cash.

Both the spun-off company and the beneficiary company are subject to common control by Cassa Depositi e Prestiti, the relative majority and controlling shareholder of Snam with an equity investment of 30.1% at 20 June 2016. It is assumed that the Demerger is a "business combination involving entities or business under common control" and, as such, is not subject to the application of IFRS 3, on the assumption that Cassa Depositi e Prestiti will also confirm for ITG Holding the existence of control pursuant to IFRS 10 as takes place for Snam. As a result, the Demerger will take place with continuity of accounting values.

Figure 3: Demerger (52.90% Italgas)



The three transactions represent three elements which are formally distinct but part of a unitary plan, the individual phases of which have as a final result the sale of the controlling stake held by the spun-off company in Italgas in favour of the beneficiary company: upon completion of the Transaction, Snam will have salered the entire equity investment previously held in Italgas to the beneficiary company, which in turn will be held in the proportion of 86.5% by Snam shareholders and 13.5% by Snam itself.

The effectiveness of the Demerger, as well as the Sale and Transfer, is subject to the fulfilment of the following conditions:

1. the issue of the measure by Borsa Italiana for the admission to trading of the shares of ITG Holding on the electronic market (MTA);
2. the issue of the opinion of equivalence by Consob pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the disclosure document prepared by the Company pursuant to Article 70 of the Issuer Regulations;
3. the approval of the Transaction by the Snam bondholders' meeting.

Based on the planned timing of the Transaction, subject to the fulfilment of these conditions, the Demerger will presumably become effective by the end of 2016.

1.3 Introductory considerations relating to the valuation

A necessary premise is constituted by the definition of certain fundamental concepts regarding corporate valuations, such as that of "value", in the dual configuration of general value and of subjective value, and that of "price".

The general value of a company's capital is that value which, under normal conditions, is deemed consistent by a hypothetical generic investor. This notion is distinguished from the concept of subjective acquisition value of a company, a value which is instead determined in light of the utility of the investment for a specific buyer.

The price, on the other hand, starting with the notion of value, also reflects contingent phenomena relating to the status of supply and demand, as well as the nature and characteristics of the contracting parties, their bargaining power and relevant aspects of the negotiation.

This premise is required as the value of a company cannot be considered an absolute, unambiguously calculable amount, but rather is a relative value, subject to the objective pursued through the valuation procedure.

As a result, the selection of a valuation methodology is functionally correlated with the purpose of the valuation.

The estimate of the value of a company's economic capital is based on the general principles of the theory of financial investments, according to which the value of any investment (category to which the company belongs) is functionally dependent on the extent of the expected profit flows, the balance sheet value of its assets and the rate of return of alternative investments with substantially zero risk, taking into account the degree of risk that can be associated with the company subject to the valuation. According to this approach, reference is made exclusively to the business conditions existing in the company subject to valuation, regardless of the effects of any actions that could be implemented by specific potential buyers.

In light of the foregoing, as well as the purposes for which the Opinion is prepared, it is therefore specified that the subject of this valuation is exclusively the determination of the general value of the economic capital of Italgas, irrespective of any subjective elements.

2. Reference date and documentation used

2.1 Reference date

The reference date for the valuation of the Company's economic value is that on which this Opinion is prepared. In particular, the valuation was carried out - on a preliminary basis - by taking as a reference the economic, capital and financial situation of the Company at 31 March 2016 (to which the interim directors' report approved by the Company's Board of Directors on 9 May 2016 refers). Subsequently, the valuation was updated on the basis of the results reflected in the interim directors' report at 31 May 2016 approved by the Company's Board of Directors on 21 June 2016.

Chapter 6 of this Opinion provides the results of the valuation of the Company's economic value at 31 March 2016 and 31 May 2016.

Considering that:

(a) the value of the Company's economic capital is almost exclusively ascribable to regulated activities which, by their nature, have no relevant fluctuations in value in the very short term;

(b) the most recent date of preparation of the Company's economic, capital and financial information is 31 May 2016 (to which the interim directors' report approved by the Company's Board of Directors on 21 June 2016 refers);

(c) from 31 May 2016 to the date of preparation of this opinion, as certified by the Company, no facts, events or circumstances have taken place which are such as to significantly influence the economic-capital results of Italgas.

the date of 31 May 2016 is suitable and reasonable to be assumed as a reference as the basis for the valuation of the Company's economic capital at the date on which this Opinion is prepared.

2.2 Documentation used

The following data and information were obtained and examined to complete the engagement assigned:

- the separate financial statements of Italgas S.p.A. at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated directors' report of Italgas at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated interim directors' report of Italgas at 31 March 2016 approved by the Company's Board of Directors on 9 May 2016;
- the draft consolidated directors' report of Italgas at 31 May 2016 transmitted by the Company on 14 June 2016 and 17 June 2016;
- the drafts of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the PowerPoint versions transmitted by the Company on 11 May 2016 and 10 June 2016;
- the drafts of the statements of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the Excel versions transmitted by the Company on 16 May 2016, 20 May 2016, 13 June 2016 and 17 June 2016;
- the documentation prepared by the Company with reference (i) to the evolution of the regulatory framework regarding ATEM and tenders for the awarding of concessions and (ii) to the regulation of distribution tariffs;

The informational framework was completed by a series of news, reports and information in general, including forecasts, acquired directly through interviews with the company management, in addition to a series of information obtained on websites and from databases used for this reason. All documentation examined is filed in the records at the registered offices of Colombo & Associati.

In preparing this Opinion, Colombo & Associati assumed and relied on, without subjecting them to an independent verification, the accuracy and comprehensiveness of all information used including, by way of example but not limited to, all financial information and other information provided by the Company management.

Colombo & Associati relied on the fact that the consolidated directors' report of Italgas at 31 May 2016 and the Italgas 2016-2020 business plan approved by the Board of Directors on 21 June 2016 do not differ from the results set forth in the drafts of the consolidated directors' report at 31 May 2016 and in the statements of the Italgas 2016-2020 business plan transmitted by the Company on 17 June 2016, as shown in the certifications issued in this regard by the Company on 21 June 2016.

Colombo & Associati did not carry out any investigation or independent assessment as to the content of such information, reports or declarations and did not provide or obtain any specialised opinion that was, for example but not limited to, legal, accounting, actuarial, environmental, IT or fiscal in nature; as a result, this Opinion does not take into account the possible implications that any one of the above-mentioned types of analysis may have entailed.

In addition, the Opinion is necessarily based on the economic, monetary, market, legislative and regulatory conditions existing on today's date. Events that occur subsequent to the date of this Opinion may impact its conclusions as well as the assumptions upon which it is based. In particular, the future evolution of structural dynamics of the sector in which Italgas carries on business and the laws that govern it could influence the factors determining the value of the Company; in that case, Colombo & Associati shall have no obligation to update, amend or confirm this Opinion.

3. The company subject to valuation

3.1 Brief description of Italgas

Italgas, whose share capital consists of 252,263,314 ordinary shares with a nominal value of €1 each and is wholly owned by Snam, is a leader in Italy in the urban natural gas distribution sector. The distribution service consists of gas transport via local gas pipeline networks from delivery points to the metering and reduction stations connected with the transportation networks and then to the end-user redelivery points. Italgas also carries out metering activities, consisting of the determination, reporting, provision and archiving of metering data regarding natural gas withdrawn on the distribution networks.

The Company is regulated by the Electricity, Gas and Water Authority (the "Authority" or "AEEGSI"), which defines the methods for providing the service as well as the distribution and metering tariffs.

Gas distribution activities were traditionally carried out under concessions assigned on a municipal basis[1]. This activity is carried out by transporting the gas for the sales companies[2] authorised to market to end users.

[1] In 2011, four ministerial decrees were adopted to reform the regulations governing this sector. In particular, a dedicated decree established 177 multi-municipality minimum geographical areas (ATEMs) based on which the new concessions will necessarily need to be assigned.

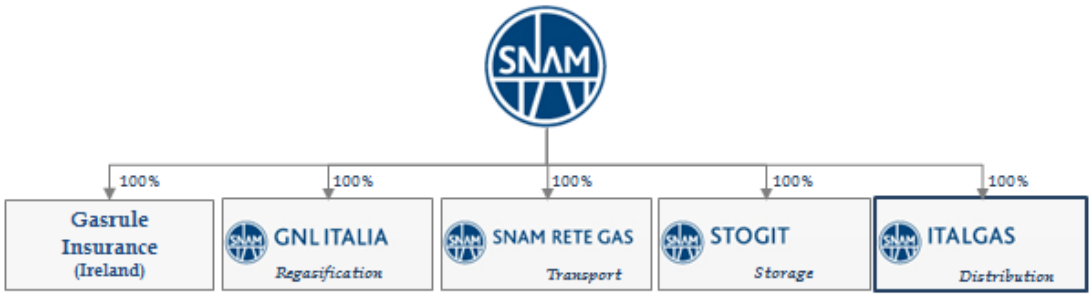
[2] The relationship between the distribution companies and the sales companies is defined by a dedicated document called the "Network Code" which specifies the services provided by the distributor, broken down between the main services (gas distribution service, technical distribution system management) and accessory services (installation of new plants, activation, deactivation, suspension and reactivation of the supply to end users, checking of metering units at the request of end users, etc.).

3.2 Corporate structure of Snam and Italgas

The Snam group, founded in 1941, employs more than 6,000 people and is active in the transport (through Snam Rete Gas), storage (through Stogit), regasification (through Gnl Italia) and urban distribution of natural gas (through Italgas).

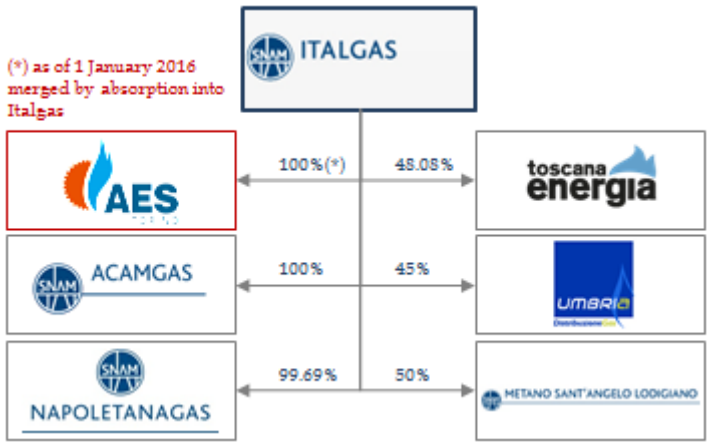
The corporate structure of the group controlled by Snam is shown below (Figure 4).

Figure 4: corporate structure of Snam



Italgas, established in 1837, was the first Italian company engaged in urban gas distribution. Italgas group as at 31 May, 2016 employs 3,325 people. The corporate structure of the group is shown below (Figure 5).

Figure 5: corporate structure of Italgas



Italgas also operates through its investees listed below:

- Acam Gas S.p.A. (Acam Gas) (100%), fully consolidated, was established in 2004 following the transfers by Acam S.p.A. and Italgas S.p.A. of the respective business units relating to gas distribution in the municipalities of the province of La Spezia. Following this transaction, the company was 49% held by Italgas and 51% by Acam; on 1 April 2015, Acam S.p.A. and Italgas S.p.A. entered into the deed of sale of the shares constituting 51% of the share capital of Acam Gas S.p.A. in favour of Italgas. The company currently distributes gas in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, serving 112,000 active redelivery points. The distribution network managed by the Company at 31 December 2015 covers 1,201 km;
- Azienda Energia e Servizi Torino S.p.A. (AES Torino[3]) (100%), fully consolidated, carries out gas distribution activities in the municipality of Turin. On 21 December 2015, the deed was entered into for the merger by absorption of the wholly-owned subsidiary AES Torino S.p.A. into its parent company Italgas S.p.A. effective as of 1 January 2016. The distribution network managed by the Company at 31 December 2015 covers 1,338 km, and there are 463,673 active redelivery points;
- Compagnia napoletana di illuminazione e scaldamento con gas S.p.A. (Napoletanagas) (99.69%), fully consolidated, holds concessions in 133 municipalities in the Region of Campania for the gas distribution service and in 5 municipalities for the drinking water service. The distribution network managed by the Company at 31 December 2015 covers 5,368 km, and there are 742,595 operational redelivery points;
- Toscana Energia S.p.A. (48.08%), operating as of 1 March 2007, was founded from the merger of Fiorentinagas and Toscana Gas. The company is a leader in the natural gas distribution sector in Tuscany; please note that at 31 December 2015, Toscana Energia

[3] On 1 January 2016, the wholly-owned subsidiary AES Torino was merged by absorption into its parent company Italgas S.p.A.

S.p.A. holds 100% of the share capital of the company Toscana Energia Green S.p.A. and 56.67% of the share capital of Toscogen S.p.A. (in liquidation);

- Umbria Distribuzione Gas S.p.A. (45%) manages the natural gas distribution service under concession in the municipality of Terni;
- Metano Sant'Angelo Lodigiano S.p.A. (50%) has been active since 1952 in the urban natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro in the district of Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

3.3 Infrastructures and territorial presence

Italgas, together with its subsidiaries Acam Gas and Napoletanagas, conducts its activities making use of an integrated system of infrastructures, which, to a large extent, it owns, comprising cabins for the collection of gas from the transportation network, pressure reduction plants, approximately 56,731 km of distribution networks and 6,527,058 operational redelivery points (at 31 March 2016), represented by demarcation points between the gas distribution plant and the internal plant of the end user where the gas meters are installed. In addition, on 31 March 2016, the Italgas group obtained the concession for the gas distribution service in 1,472 municipalities.

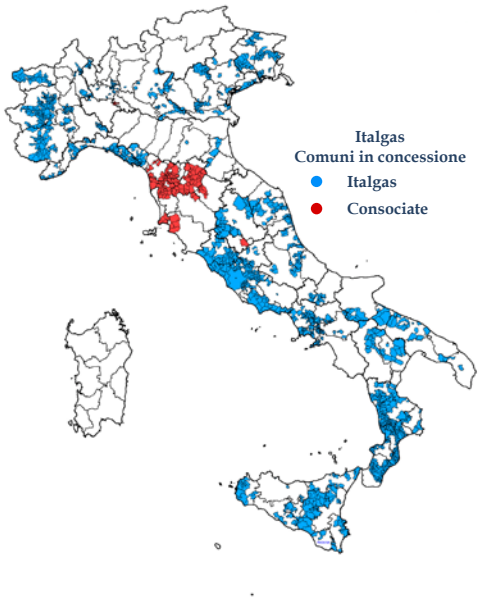
The main operating data for the Italgas group is illustrated below (Table 1) and the map for the municipal areas under the Italgas concession (Figure 6).

Table 1: Italgas group main operating data

Key operating figures	31/12/2013	31/12/2014	31/12/2015	31/03/2016
Concessions (number)	1,435	1,437	1,472	1,472
Active meters (nr.)	5,928,021	6,407,592	6,525,984	6,527,058
Distribution network (kilometres) (*)	52,993	55,278	56,717	56,731
Gas distribution (millions of cubic metres)	7,352	6,500	7,599	3,460
Employees in service (number)	3,008	3,124	3,298	3,324

(*) Kilometres of network managed by Italgas

Figure 6: map of Italgas concessions



At 31 March 2016 Italgas S.p.A. holds the concession for the gas distribution service in 1,310 municipalities (including the concession for the gas distribution service in the municipality of Turin, as a result of the merger by incorporation of AES Torino into Italgas). In addition, through its subsidiaries Acam Gas and Napoletana Gas, Italgas holds the concession for the gas distribution service in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, and in 133 municipalities in the Campania Region (as well as 5 municipalities for the drinking water service).

3.4 The relevant regulatory framework.

In recent years the natural gas sector has been subject to intense regulatory activity at a national and EU level in order to liberalise the sector with the main goal of creating a single European market. The regulatory process was launched by Directive 98/30/EC of 22 June 1998, implemented in Italy through Legislative Decree 164 of 23 May 2000 (the "Letta Decree"). This decree radically changed the gas industry in Italy: from a vertically integrated market fully concentrated as a monopoly under Eni, it moved to a free competitive market for the

production, procurement and sales stages and a regulated market for the gas transportation, storage and distribution stages, in other words for the parts of the industrial chain featuring natural monopoly conditions.

With special reference to the gas distribution sector, the Letta Decree required local authorities to award the natural gas distribution service through a public tender with bids for a period not exceeding twelve years.

The year 2004 saw the approval of Law 239/2004 (the "Marzano Law"), aimed at the reorganisation of the energy sector. The law addressed the framework governing the responsibilities of the State which took on the role of directing and controlling the national energy policy.

In 2007, in order to guarantee greater competition and minimum levels of service quality in the natural gas distribution sector, Article 46 of Decree Law 159/2007 (converted into Law 222/2007) delegated the Ministry of Economic Development and the Ministry of Regional Development to issue two distinct decrees, the first aimed at establishing "*the criteria for tenders and evaluating bids in the awarding of the gas distribution service*" and the second designed to determine "*the minimum territorial areas for the tender process for awarding the service*", as well as "*measures for encouraging business combinations*".

Also, in order to follow up the objectives established by Law 222/2007, during the period between 2011 and 2015 the regulatory principles and profiles, which govern the gas distribution public service and the tenders for awarding concessions were introduced through various interventions by the legislator[4] and they are listed below:

- rationalisation of the number of tenders, with calls now planned for homogenous areas ("Minimum Territorial Areas" or "ATEMs", in line with the provinces and main urban

[4] By way of example: MiSE (Ministry for Economic Development) in consultation with the MRR (Monitoring and Reporting Regulation) of 19 January 2011 (in force from 1 April 2011), Ministerial Decree of the MiSE in consultation with the MLPS (Ministry of Labour and Social Policy) of 21 April 2011 (in force from 5 May 2011), Ministerial Decree of the MiSE in consultation with the MRR (Monitoring and Reporting Regulation) of 18 October 2011 (in force from 29 October 2011), Ministerial Decree of the MiSE in consultation with Monitoring and Reporting Regulation 226 of 12 November 2011 amended through Ministerial Decree 106 of the MiSE of 20 May 2015 (in force from 11 February 2012 and the amendments of 29 July 2015), Ministerial Decree of the MiSE of 5 February 2013 on the proposal of the AEEGSI (Electricity, Gas and Water Authority) (in force from 2 March 2013) and Ministerial Decree of the MiSE (Ministry of Economic Development) of 22 May 2014 (in force from 7 June 2014).

areas) and no longer at the level of individual municipalities. The application of this principle led to the identification of 177 ATEMs, with a consequent reduction in the number of tenders for awarding concessions (which previously stood at approximately 6,800 tenders at local level);

- provision of a limited time frame (3-4 financial years) for the call for tenders by the contracting entities, with the power of replacement by the Regions if these deadlines are not complied with and the intervention of the Ministry for Economic Development if the Regions do not exercise their power;
- ownership of the infrastructures by the operators and, at the outcome of the tender for awarding the concession, sale to the incoming operator, with compensation based on the reconstruction value as new of the plants (repayment value);
- adoption of the operational and financial requirements in order to be able to participate in the tenders;
- adoption of standard criteria for the evaluation of the bids, based on the economic conditions of the latter, the service quality and safety offered and the investment plan put forward by the operator.

In 2015, Law Decree 210/2015 (the "*milleproroghe*") finally revised the latest dates for the publication of the calls for tender by the contracting entities. Specifically, the first deadline will be July 2016. This decree also eliminated the penalty imposed on contracting entities in breach of the calls for tenders and laid down new terms for the Regions and Ministry for Economic Development in exercising the power of replacement.

3.5 The relevant tariff system

Natural gas distribution activities are regulated by the Authority, which determines and updates tariffs as well as drawing up the rules for access to infrastructures and for the provision of related services.

The current tariff system specifically ensures that the revenue used to formulate tariffs is determined in such a way as to ensure that operators' costs are covered and that return on invested capital is fair.

There are three categories of recognised cost:

- the cost of net capital invested for regulatory purposes (regulatory asset base, RAB) through the application of a rate of return for the same ("WACC");
- economic-technical amortisation and depreciation, covering capital expenditure;
- operating costs for the year.

Through Resolution 573/2013/R/gas, the Authority defined the tariff criteria for the distribution and metering services for the regulatory period, from 1 January 2014 to 31 December 2019 ("Fourth Regulatory Period").

Resolution 583/2015/R/gas defined the criteria for determining and updating the WACC rate for infrastructure services for the electricity and gas sectors for the period 2016-2021, in turn divided into two reference sub-periods (first sub-period: 2016-2018; second sub-period: 2019-2021).

Specifically, with reference to the services provided by the Company, the remuneration rate was set for the first sub-period 2016-2018 at 6.1% for the gas distribution service and 6.6% for the gas metering service. Both remuneration rates, expressed in real terms before tax, will be reviewed at the start of the second sub-period 2019-2021, depending on the updating of the parameters adopted for the determination.

3.6 The reference competitive scenario

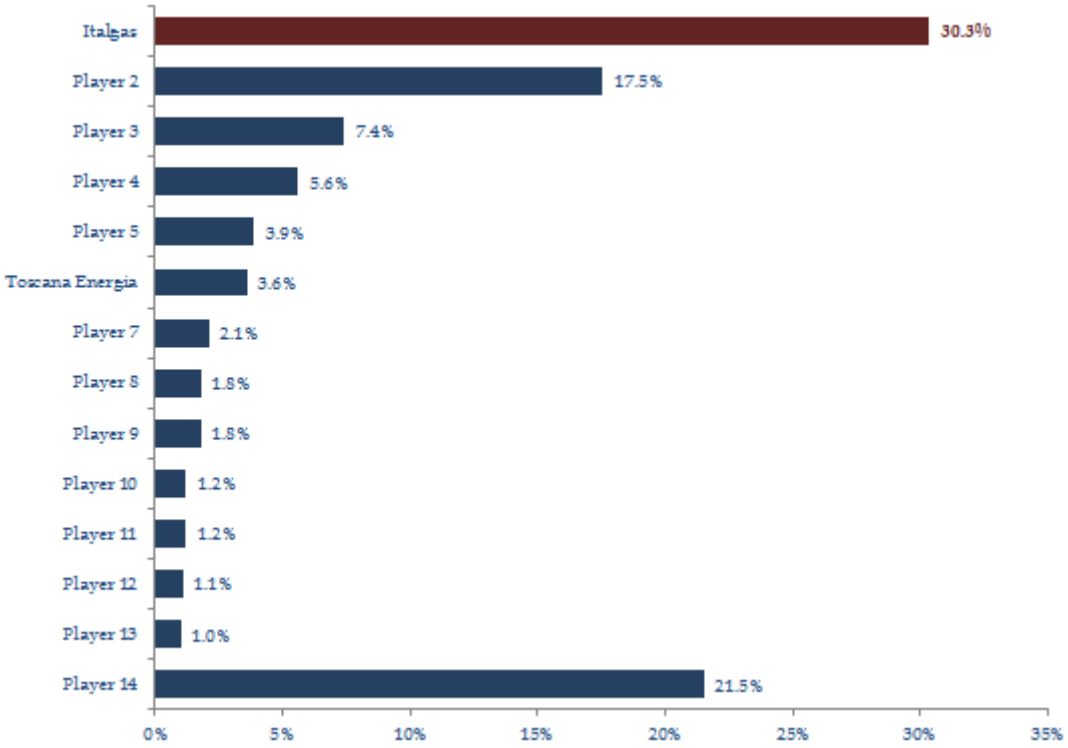
The progressive liberalisation of the gas market, as a result of the Letta Decree, has allowed a process of combinations among operators with intense mergers and acquisitions activity.

On the date this decree came into force, the distribution segment featured the presence of around 700 businesses. At 31 December 2014, the number of distributors on the register of operators at the electricity and gas authority was reduced to 230[5].

Within the gas distribution market, Italgas is the leading Italian operator with a market share of over 30%.

The market shares for operational redelivery points of the major Italian operators in the gas distribution business are listed below (Figure 7).

Figure 7: market shares of the major Italian operators for operational redelivery points



3.7 Italgas historical economic-financial data

The scope of consolidation involves Italgas S.p.A., Napoletana Gas S.p.A., AES Torino[6] (from 1 July 2014) and Acam Gas S.p.A. (from 1 April 2015).

[5] Annual report on the state of services and activity conducted - Authority for electricity, gas and water, 31 March 2015.
[6] From 1 January 2016 merged by incorporation 100% into its parent company Italgas

The companies Metano Arcore S.p.A. and SETEAP S.p.A. were the subject of incorporation, respectively, into Italgas S.p.A. and Napoletana Gas S.p.A. with effect from 1 January 2015.

The main historical economic and financial data of the Company at 31 December 2013, 2014, 2015 and at 31 March 2015 and 2016 are given below (Table 2).

In the financial year 2015, Italgas recorded total revenues of €1,098 million, a 4.3% increase over 2014 (+€45 million). Adjusted revenues in 2015 totalled €1,071 million (equal to 97.5% of total revenues) and refer in the main to payments for the natural gas distribution service (€1,027 million) and technical services connected to the distribution service (€24 million). Unadjusted revenues, equal to €27 million at 31 December 2015, were in line with 2014 and refer to property income (rental), the provision of services and sales of products and other non-regulated revenues.

Table 2: consolidated income statement[7]

Consolidated Income Statement (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2015	31/03/2016
Regulated revenue (*)	1,008	1,026	1,071	*3%*	262	249
Non-regulated revenues	30	27	27	*(5%)*	5	7
Total revenue	**1,038**	**1,053**	**1,098**	***3%***	**267**	**256**
Operating costs (*)	(319)	(331)	(356)	*6%*	(80)	(95)
EBITDA	**719**	**722**	**742**	***2%***	**187**	**161**
% margin	***69%***	***69%***	***68%***		***70%***	***63%***
Amortisation, depreciation and impairment losses	(214)	(245)	(273)	*13%*	(63)	(63)
EBIT	**505**	**477**	**469**	***(4%)***	**124**	**98**
% margin	***49%***	***45%***	***43%***		***46%***	***38%***
EBIT adjusted	**516**	**477**	**509**	***(1%)***		
% adjusted margin	***50%***	***45%***	***46%***			
Net financial expenses	(70)	(54)	(48)	*(17%)*	(17)	(16)
Net income from equity investments	60	98	29	*(30%)*	5	4
Profit before taxes	**495**	**521**	**450**	***(5%)***	**112**	**86**
Income taxes	(194)	(115)	(110)	*(25%)*	(31)	(24)
Tax rate	*39.2%*	*22.1%*	*24.4%*		*27.7%*	*27.9%*
Net profit	**301**	**406**	**340**	***6%***	**81**	**62**
Adjusted net profit	**308**	**355**	**345**	***6%***		

(*) Only for the reclassified income statement, revenue from the construction and upgrading of distribution infrastructure entered in accordance with IFRIC 12 and recognised in an amount equal to the costs incurred (€319 million, €316 million and €321 million respectively in 2013, 2014 and 2015; €46 million and €62 million respectively as at 31 March 2015 and 2016) is shown as a direct reduction of the respective cost items.

[7] The data relating to 2015 include Acam Gas S.p.A. wholly consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A. with effect from 1 January 2015, previously valued at the shareholders' equity. With regard to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects were recognised, respectively in the whole of 2015 and in six months of 2014.

In terms of operating margins, the Group achieved an operating profit in 2015 of €469 million, a fall of €8 million compared with the figure recorded in 2014 (-1.7%). This fall in margins is attributable to the increase in operating costs (+€25 million)[8], amortisation, depreciation and write-downs (+€28 million)[9], an increase only partly offset by greater regulated revenues (+€45 million).

In 2015, the Company made a pre-tax profit of €450 million and a net profit of €340 million (adjusted net profit of €345 million[10]), both lower than the figures recorded in 2014 (a fall of €71 million and €66 million, respectively). Specifically, in 2015, the Company received lower income from investments, with the fall partly offset by a reduction in the average cost of financial debt.

As far as the Company's results for the first quarter of 2016 are concerned, the reduction in RAB return rates, introduced by the Authority from 1 January 2016 (see Paragraph 3.5) caused a fall of approximately 4% in total revenues, due mainly to a 5% decrease in regulated revenues compared with the figure recorded for the first quarter of 2015 (€249 million compared with €262 million)[11]. In terms of operating margins, in the first quarter of 2016, the Company made an operating profit of €98 million which, in addition to the above-mentioned reduction in regulated revenues, reflects greater operating costs (+€15 million).

[8] The increase is essentially due to the increase (i) in costs related to regulated activities of €14 million (due to lower capitalisation related to the reduction in investments and the increasing weighting of activities aimed at remote meter reading, featuring a greater impact of external costs compared with the activities of replacing traditional meters which took place until the previous year, partly offset by a reduction in other costs) and (ii) costs relating to unregulated activities of €11 million.

[9] Amortisation, depreciation and write downs increased by €28 million, equal to 11.4%, compared with 2014. The increase is due mainly to the consolidation of AES Torino (6 months in 2014) for +€18 million and Acam Gas for +€3 million.

[10] The income items classified as special items in 2015 involve (i) the estimate, made on an actuarial basis, of expenses for employers resulting from the abolition, from 1 December 2015, of the Gas Fund pursuant with Law 125 of 6 August 2015 (€40 million; €27 million net of the tax effect) and (ii) income resulting from the adjustment of deferred tax resulting from the reduction, from 1 January 2017 of the IRES rate from 27.5% to 24% (€22 million), as set out in Law 208/2015 – Stability Law of 2016, containing "Measures for the formation of the annual and multi-year government budgets, which was published in the Official Gazette of 30 December 2015 and came into force on 1 January 2016.

[11] Following lower revenues for the natural gas distribution service (-€13 million), attributable to the reduction in the return on net invested capital for regulatory purposes (-€11 million) and the failure of the Authority to provide incentives for investments to replace the cast iron piping in previous years (-€6 million); these effects were partly offset by Acam Gas joining the scope of consolidation (+€4 million).

Table 3 shows the financial position of the Company at the end of 2013, 2014 and 2015 and at 31 March 2016.

Table 3: consolidated financial position[12]

Consolidated Statement of financial position (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Fixed capital	**4,385**	**4,650**	**4,761**	*4%*	**4,790**
Property, plant and equipment	*209*	*226*	*230*	*5%*	*228*
Intangible assets	*3,936*	*4,284*	*4,472*	*7%*	*4,471*
Equity investments	*335*	*224*	*169*	*(29%)*	*174*
Net payables for investments	*(95)*	*(84)*	*(110)*	*8%*	*(83)*
Net working capital	**(306)**	**(211)**	**(90)**	*(46%)*	**(172)**
Trade receivables	*358*	*402*	*456*	*13%*	*495*
Inventories	*11*	*15*	*19*	*31%*	*21*
Trade payables	*(116)*	*(163)*	*(133)*	*7%*	*(192)*
Provisions for risks and charges	*(219)*	*(211)*	*(192)*	*(6%)*	*(200)*
Liabilities for deferred taxes	*(305)*	*(217)*	*(159)*	*(28%)*	*(149)*
Other assets and liabilities	*(35)*	*(37)*	*(81)*	*52%*	*(147)*
Provisions for employee benefits	(76)	(87)	(116)	*24%*	(115)
Assets held for sale and directly related liabilities	16	16	17	*3%*	18
Net Invested Capital	**4,019**	**4,368**	**4,572**	*7%*	**4,521**
Shareholders' equity (including minority interests)	2,355	2,596	2,724	*8%*	2,786
attributable to the group	*2,354*	*2,595*	*2,723*	*8%*	*2,785*
attributable to minority interests	*1*	*1*	*1*	*0%*	*1*
Net financial debt	1,664	1,772	1,848	*5%*	1,735
Coverage	**4,019**	**4,368**	**4,572**	*7%*	**4,521**

At 31 December 2015, net invested capital stood at €4,572 million, an increase of approximately €204 million compared with 2014. Specifically, a significant increase in fixed capital was recorded in 2015 as a result of the consolidation of Acam Gas' fixed assets, an increase partly offset by a reduction in investments (equal to €55 million and mainly due to the full consolidation of Acam Gas) and an increase in net debts for investing activities (of €26 million). Specifically, note that intangible assets mainly refer to service concession agreements (€4,361 million in 2015) and that in 2015 the item equity investments was mainly made up of the shareholding owned by the Company in Toscana Energia (for approximately €167 million, equal to a stake of 48.08%) and a residual amount from the shareholdings owned in Umbria

[12] The data for 2015 include Acam Gas S.p.A. fully consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A., with effect from 1 January 2015, previously valued at the shareholders' equity. With reference to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects are observed, respectively in all of 2015 and in six months in 2014.

Distribuzione Gas (for approximately €1 million, equal to a stake of 45%) and Metano Sant'Angelo Lodigiano (for approximately €1 million, equal to a stake of 50%).

With reference to net working capital, in 2015 the Company recorded an increase of €121 million compared with 2014. These dynamics were mainly affected by (i) an increase in trade receivables (mainly relating to gas transmission services and ancillary services to ENI S.p.A., receivables from third-party customers and receivables from the CSEA (Energy and Environmental Services Fund) relating to equalisation[13]), (ii) a decrease in the Company's exposure to suppliers (mainly as a result of payments deferred from 2014 to 2015) and (iii) a reduction in the deferred tax fund, caused by the abolition, from 1 January 2015, of additional IRES the "Robin Hood Tax") and the planned reduction of the IRES rate from 27.5% to 24% based on the 2016 Stability Law.

Assets held for sale and liabilities directly associated with them mainly involve the property in Via Ostiense in Rome for which the sale to Eni S.p.A. was approved.

At 31 December 2015, net financial debt totalled €1,848 million (which breaks down as €1,441 million from long-term financial liabilities provided by Snam, €409 million for the use of lines of credit with the parent company Snam and €2 million of cash and cash equivalents), an increase of €76 million compared with the previous year as a result of the distribution of earnings relating to previous years of €214 million.

The long-term loan granted by the parent company Snam to Italgas comes under the scope of the centralised management of the group's financial resources. Specifically, part of this loan was supplied by Snam to Italgas in view of the issuing by Snam of a bond loan for a total of €994 million. The inter-company loan agreement between Snam and Italgas requires the latter, in the case of a change of control (in other words Snam losing control of Italgas), repaying the loan early to Snam. The repayment value of this loan will be equal to the accounting balance increased by the mark-to-market of the bonds issued by Snam for the purpose of the loan to its

[13] Mechanism according to which payables to/receivables from the CSEA are recorded, the differences between how much is invoiced to retail companies and the revenue limit defined by the Authority

subsidiary. Following the separation of ownership transaction involving Italgas and Snam, ITG Holding will refinance Italgas' exposure with regard to Snam.

Lastly, as far as the financial position at 31 March 2016 is concerned, there was a slight reduction in net invested capital compared with 31 December 2015 (-€51 million), mainly as a result of the lower exposure of working capital.

On the same date, the net financial position of the Company (equal to €1,735 million) showed an improvement of €113 million as a result of cash generation in the first quarter of the financial year, and breaks down into €1,426 million long term loans from Snam, €310 million in a treasury arrangement and €1 million in cash and cash equivalents.

Lastly, with regard to the technical investments made by the Company in 2015, these totalled €393 million, an increase compared with the annual figure recorded in the two-year period 2013 - 2014; in the last financial year the Company made - among other things - over €130 million in investments in gas metering services (remote reading) and approximately €200 million in investments in the network (mainly in development and maintenance activities).

The breakdown of technical investments for the years 2013, 2014 and 2015 and at 31 March 2016 is given below (Table 4).

Table 4: technical investments

Technical investments (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Distribution	**239**	**231**	**199**	*(9%)*	**40**
Network maintenance and development	187	180	169	*(5%)*	18
Replacement of cast-iron pipes	52	51	30	*(24%)*	22
Metering	**83**	**88**	**134**	*27%*	**22**
Development	9	8	-	*n.s.*	-
Maintenance	59	41	2	*(80%)*	-
Remote reading	15	39	131	*196%*	22
Other investments	**36**	**40**	**60**	*29%*	**8**
Total investments	**358**	**359**	**393**	*5%*	**70**

In view of the investments made in the three-year period 2013-2015, in this period the Company's RAB (including the transfer of its subsidiaries and investee companies) remained steady at around €5.8 billion, with a D/(RAB + Associates) ratio equal to approximately 30% (average figure for 2013-2015). At a consolidated level, in 2015, approximately 90% of the RAB referred to the distribution service while 10% referred to the metering service. At corporate level note that approximately 90% of the RAB (at consolidated level) is attributable to Italgas, and that approximately 94% of the Equity RAB Associates pertains to Toscana Energia.

Table 5: Regulatory Asset Base (RAB) and main indicators

RAB (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15
RAB (consolidated)	**5,200**	**5,566**	**5,655**	**4%**
RAB distribution	*4,694*	*5,016*	*5,062*	*4%*
RAB metering	*506*	*550*	*593*	*8%*
RAB (consolidated)	**5,200**	**5,566**	**5,655**	**4%**
Italgas (including AES Torino from 2014)	*4,704*	*5,065*	*5,047*	*4%*
Napoletanagas	*496*	*501*	*507*	*1%*
Acam Gas	*-*	*-*	*101*	*n.s.*
Equity RAB Associates	**545**	**271**	**222**	**(36%)**
Toscana Energia	*221*	*206*	*209*	*(3%)*
AES Torino	*257*	*-*	*-*	*n.s.*
Acam Gas	*49*	*49*	*-*	*n.s.*
Others	*18*	*16*	*13*	*(15%)*
RAB + Equity RAB Associates	**5,745**	**5,837**	**5,877**	**1%**
D/RAB+Associates	**29.0%**	**30.4%**	**31.4%**	
EBIT/RAB (consol.)	**9.7%**	**8.6%**	**8.3%**	
EBIT adj./RAB (consol.)	**9.9%**	**8.6%**	**9.0%**	

3.8 Italgas' business plan

This section describes the main guidelines of the draft prospectus and draft presentation of the Italgas 2016-2020 business plan (and extensions to 2022) prepared by management under the scope of the Company's financial plan of action and announced, respectively, on 17 June 2016 and 10 June 2016 (the "Plan").

Management prepared the Plan projections on the basis of the following:

(i) the projected development of the tender plan and related investment plan;

(ii) the economic and financial effects of the re-leverage transaction under the scope of the reorganisation of the parent company Snam aimed at the ownership separation of Italgas from the latter.

With regard to the timetable of the tenders for awarding the concessions, the Plan requires the Company to consolidate its current leadership position in the market, gradually increasing its market share.

The tender award projections within the Plan are the main drivers for the total spending plan in terms of investments. The time adjustment of this expenditure was prepared by management in line with the ATEM award timetable.

With regard to the dynamics of projected investments in the time frame of the Plan, management envisages an alignment between the Residual Industrial Values(VIR) during the repayment and the related RAB values.

Also note that after the explicit period of the Plan (and specifically in 2024) the concession relating to the Municipality of Rome, obtained in 2012, will expire.

This concession features a different contractual framework compared with the other concessions included in the Italgas portfolio; specifically, when this concession expires, the agreements between Italgas and the Municipality of Rome require that - in the case of renewal - the latter pays the Company the Residual Industrial Value (equal to €300 million) in view of the acquisition of the concession by the incoming operator in the tender.

With regard to this concession, also based on discussions with the management of the Company, the following theories can reasonably be formulated:

- the renewal of the expiry of the concession to Italgas by the Municipality of Rome, coming under the concessions of "key interest" to Italgas (this assumption, in particular,

is consistent with maintaining the working cash flows projected in the Plan, which includes the flows relating to the Rome concession);

- the establishment by the Municipality of Rome of the tender value of the concession in line with the RAB value in 2024 (estimated by the Company at approximately €680 million), also taking into consideration the fact that - based on the regulations in force - the contracting entities are bound to indicate a value in the call for tenders in line with that granted for tariff purposes;
- the valuation of all investments made under the scope of the Rome concession, excluding those that can be allocated free of charge made by the Company in the three-year period 2013-2015 (equal to approximately €135 million[14]), in equal measure both in terms of Residual Industrial Value and in terms of RAB, no misalignment between these two magnitudes having been verified.

Based on the assumptions described above, it is possible to assume that - if the Municipality of Rome concession is renewed in 2024 - the outlay that the Company will incur in these circumstances will be equal to the differential between (i) the value of the RAB at that date recognised by the Company to the Municipality of Rome (€680 million) and (ii) the repayment value (Residual Industrial Value) paid by the latter to Italgas (€300 million), increased by the share of investments that can be devolved, free of charge, to the Municipality of Rome (€135 million). As a result, the total outlay that Italgas will presumably have to make in the case of the envisaged renewal of the Rome concession in 2024 is estimated at €515 million.

As indicated, the Plan was prepared by management both on the basis of the anticipated development of the tender plan - which is directly reflected in the projections for regulated economic margins and invested capital - and based on the impacts resulting from the Italgas re-leverage operation.

[14] contractually determined as 50% of investments made in the three-year period 2013-2015, equal in total to €270 million

With regard to this specific aspect, the Plan envisages the issuing by ITG Holding in favour of Snam of an inter-company debit note for €1.5 billion, in the light of the acquisition of the 38.87% stakeholding in Italgas.

Lastly, as already observed, the conclusions that this Opinion reaches are formulated on the assumption that the results in the Italgas 2016-2020 business plan draft presentation announced on 10 June 2016 and those contained in the Italgas 2016-2020 business plan announced on 17 June 2016, correspond to those in the Italgas 2016-2020 Italgas business plan approved by the Company's Board of Directors on 21 June 2016, according to the statement issued by the Company on 21 June 2016.

4. The company's evaluation criteria in theory and in practice

The company's evaluation methods depend on the Company's different characteristics under analysis, the type of activity conducted and the sector in which it operates. The main methodologies developed by the guidelines and in use in professional practice include the following methods:

- Capital
- Income
- Mixed Capital - Income
- Financial
- Market multiples

The paragraphs that follow provide a summary description of the methods indicated above.

4.1 Capital methods

Capital methods are based on the analytical evaluation of the individual asset and liability items that make up the company capital through their re-expression at current values and include the "simple capital" method and the "complex capital" methods depending on whether the value of tangible assets only or also those of intangible production items not recorded in the financial statements is estimated.

i) The simple capital method

Based on this method, the value of the company is calculated depending on its shareholders' equity book value revalued through the application of adjustments to the values of the assets and liabilities based on the following formula:

$$W = K$$

where the terms of the relationship represent the following data:

- W = Economic value of the company
- K = Shareholders' equity adjusted to current values

The calculation basis for the estimate of the value is the Shareholders' Equity in the Financial Statements expressed by an accounting capital statement, including the earnings of the latest financial year and those set aside in previous financial years, with the exclusion of the amounts for which the distribution in the form of dividends has been or is about to be decided.

The capital method includes the calculation of the current value of non-monetary asset items (technical fixed assets, equity investments, stock). The differences between current values and respective book values generate a series of capital gains or capital losses.

Once the adjustments have been made, a corrective factor must be introduced in order to take into account any hidden taxes on the higher values confirmed.

The final result of the simple capital valuation is equal to the company's shareholders' equity book value, adjusted by the higher values described above, net of any tax effect.

The simple capital method is used in practice for the valuation of companies where the capital is made up of items with an independent and separate economic value, such as property companies and diversified financial holding companies (for which the valuation based on the group consolidated results is of little significance).

ii) The complex capital method (1st or 2nd degree)

The complex capital method, with the independent valuation of intangible assets and/or company goodwill, calculates the value of the company as the sum of the shareholders' equity adjusted through the simple criterion (K) and the value of intangible fixed assets not accounted for.

The definition of first degree refers to the complex capital method aimed at calculating the value of intangible assets where an independent valuation is possible (for example, trademarks, patents and licences), while second degree refers to the complex capital method that assigns a

value to intangible assets that cannot be valued separately under the scope of a general concept of goodwill (corporate image, customer portfolio, talent of managers, etc.).

To sum up, the calculation process is implemented based on the following formula:

$$W = K + I$$

where:

- W = Value of the economic capital
- K = Value of the shareholders' equity adjusted through the simple method
- I = Total market value of intangible components

4.2 Income methods

The income type valuations are based on the concept according to which the value of the economic capital (W) depends on the net income (R) that the company is expected to be capable of sustainably generating in the future according to a relationship of the following type:

$$W = f(R)$$

The valuation formula assumes a different structure according to whether the income is assumed to be indefinite or limited over a period of time.

In the former case the value of the economic capital is represented by the current value of a perpetual return of an amount equal to the net income (R), in other words:

$$W = R/i$$

where (W) is the value of the company, (R) the normalised net income of the company and (i) the discount rate, which represents the expected return rate for the risk capital.

In the latter case, the value of the economic capital is represented by the current value of a return of an amount equal to the net income (R) which lasts (n) years and is discounted at the rate (i) which, similar to the case outlined above, corresponds to the expected return rate for the

risk capital. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = R \times a_{n\neg i}$$

The use of these formulae requires an analysis of the following problems:

- the extent of net income (R) to use, in other words whether to refer to historical values, projections of historical data, or to projected results expressed in company plans. In addition it is necessary to identify the elements to include or exclude from net income in order to consider net income "normalised" (i.e. net income that does not take into consideration elements of characteristic and/or extraordinary management which are not significant because they cannot be repeated over the years);
- the number of years (n) in which net income is considered, or whether to refer to a limited or unlimited period of time;
- the calculation of the discount rate (i) which expresses the return required by an owner of risk capital (Ke) for an investment in the business being valued, determined according to a methodology known as CAPM (i.e. “Capital Asset Pricing Model”) and which is based on the following formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

where the elements of the relationship represent the following data:

- Rf = Return rate of medium-/long-term government bonds
- β = Risk coefficient of the sector in which the company subject to valuation operates, determined as a decline in the performance of companies in the sector in relation to the market, including the effect of theoretical financial structure (i.e. Financial Lever)
- E(RM) = Average return of shares (where [E(RM) – RF] expresses the premium for the market risk)

- RS = Additional Specific Risk of the company subject to valuation

4.3 Mixed capital - income methods

The mixed capital-income methods stem from the need to limit the weighting of valuations of a subjective nature and the need to adequately evaluate not only the prospective capacity of the company to generate wealth in income terms, but also its capital consistency. The most extensively used method is the "U.E.C." (Union of European Accounting Experts), based on which the value of the economic capital results from the sum of the value of the adjusted shareholders' equity and the current value of the "excess income" or "insufficient income", understood as the difference between the assumed profitability of the company and that deemed consistent based on the capital used and the return rate required by a shareholder for an investment in the company subject to valuation. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = K + a_{n\neg i'} (R - iK)$$

where the terms of the relationship represent the following data:

- W = Value of the economic capital
- K = Adjusted shareholders' equity, calculated through the capital methods described previously.
- R = Expected normal net income, estimated according to the description in the income methods analysed previously
- i = Return rate, expressing the return rate required for an investment in the capital of the company subject to valuation
- i' = Discount rate of the excess/insufficient income, expressing the value of the time (and possibly the risk of the company subject to valuation)

- $a_{n\neg i'}$ = Sum for (n) years of discounted flows applying a discount rate equal to (i')

The above formula is also known in its (less used) version of unlimited capitalisation of excess income, with the replacement of the perpetuity component by the return factor:

$$W = K + (R - iK) / i'$$

The operation of the limited capitalisation formula (but also in part the unlimited capitalisation) tends in reality to undervalue the income component and give greater emphasis to the capital component. As a result, the mixed method is more significant for companies with high invested capital, while it is less so for companies with low invested capital and high profitability.

4.4 Financial methods

According to these methodologies the value of a company's economic capital is estimated through the discounting of cash flows expected to be generated in future. To sum up, the financial method aims to determine the following elements:

- The current value of cash flows produced by the operations of the company;
- The current value of the operating assets of the company at the end of the explicit projection period or the residual value (terminal value);
- The current value of non-strategic or instrumental assets at the reference date (surplus assets);
- The consistency of burdensome debts at the reference date.

Preparation for the use of financial methodologies is therefore preparation of a medium-/long-term economic-financial plan with a good degree of reliability and analysis.

There are various formulations of these methods according to the criteria adopted in the calculation of the financial flows used for the valuation. The most widely used method, known as the "Discounted Cash Flow" (i.e. the DCF), determines the value of the economic capital (so-

called Equity Value) through the difference between the value of the company (the Enterprise Value) and the value of the financial debt:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

$$W = Wo - D$$

Where the terms of the relationship represent the following data:

- W = Value of the economic capital (Equity Value)
- Wo = Value of the company excluding debt (Enterprise Value)
- D = Net Financial Debt
- CF (t) = Expected cash flows in the period (t)
- n = Duration of the forecast period of cash flows
- V(t) = Discount coefficient in the period (t)
- VT = Terminal Value, in other words the value of the company at the end of the period to which the cash flow forecasts refer

This method therefore requires the forecast cash flows (CF) in the reference time horizon (n), the necessary discount rate to calculate the discount coefficients (V) and the Terminal Value (VT) to be calculated.

As far as the calculation of the cash flows (CF) is concerned, it is necessary to refer to a forward-looking economic-capital plan which is comprehensive and enables the calculation of the cash flow generated in each period.

As far as the Terminal Value (VT) is concerned, it is calculated using the perpetual or fixed-term capitalisation formula for the cash flow generated by the company in the period (n+1) discounted at the reference time of the valuation.

Lastly, as far as the calculation of the discount rate, commonly known as the WACC and expressing the financial structure of the company and the cost of financial resources, both debt and own capital, is concerned, the following formula is used:

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

Where the terms of the relationship represent the following data:

- kd = Cost of third-party funds
- Ke = Cost of own funds
- t = Tax rate
- D = Value of third-party funds
- E = Value of own funds

Specifically, the cost of own funds (Ke) is calculated using the CAPM method described previously.

The financial methodology is universally recognised as the one scientifically superior to all the others; it is the one most widely used in Anglo-Saxon corporate practice and it is being increasingly adopted in Italian practice.

The only problem with this criterion involves the necessary availability and reliability of the medium-/long-term economic-financial plans.

4.5 The method based on market multiples

This evaluation methodology determines the market price of a company (and therefore theoretically not the value of the economic capital, even if the two values tend to coincide for listed companies) taking a sample of listed companies operating in the same sector and with similar characteristics to the company subject to valuation as a reference. In the event of market excellence, the prices of listed companies reflect the expectations of operators regarding corporate capacity to generate wealth.

The method therefore consists of identifying the variables that the market believes to be strictly related to the market capitalisation of the listed company and in the subsequent parameterisation of the market capitalisation of the company listed at the value of these variables. The variables normally used are: turnover, EBITDA and operating income, also known as EBIT. In particular:

- The Enterprise Value/Turnover multiple is believed to express the value of the company if the turnover is considered by the market to express the value of the company and therefore an important parameter in establishing the competitive market position and the income prospects;
- The Enterprise Value/EBITDA multiple determines the value of the company based on a company profitability parameter not affected by financial statement policies and, specifically by amortisation/depreciation policies and/or by the presence of goodwill and/or by the different consistency of depreciated assets;
- The Enterprise Value/EBIT multiple determines the value of the company based on a company profitability parameter increasingly affected by financial statement policies such as those relating to amortisation/depreciation and/or the consistency of depreciated assets;

After having verified the existence of comparable companies, carefully and using the necessary approximations, the value of the economic capital of the company subject to estimation is calculated using the following relationship:

$$W = (M \times X) - D$$

Where the terms of the relationship represent the following data:

- M = Enterprise Value/Variable ratio of the comparable companies
- X = Turnover, EBITDA, EBIT of the company subject to valuation
- D = Net financial debt

The most critical aspect of this method consists of identifying comparable companies which must be selected finding elements of homogeneity in terms of the sectors to which they belong, characteristics of the competitive scope, product system offered, financial risks, performance of historical and prospective results, reputation status, etc.

5. The selection of valuation criteria and the results of their application

Taking into consideration the analyses conducted in the previous paragraphs with regard to the different valuation methodologies and the documents available, it is believed that the valuation of the Company should continue through the application of two methods: (i) the financial method (and, specifically the Discounted Cash Flow method) and (ii) the Sum of the Parts method ("SOP"), described respectively in paragraphs 5.1 and 5.2.

General policies and international practice attribute increasing significance to financial type methodologies under the scope of the valuation of operating companies, on the assumption that the value of the business is determined on the basis of the capacity of same to generate cash flows, rather than income.

The financial methods are therefore preferred to the income method, as well as because the latter is often influenced by various accounting techniques, which involve estimated valuations (amortisation and depreciation and provisions) and therefore "pollute" the income results, also because, in the case in question, the impact of investments (both technical and financial) makes the correct identification of normalised income rather difficult.

In the DCF version, the financial method puts forward the following typical principles:

- it enables an appreciation of the company's prospective capacity to generate cash flows;
- it is generally preferable where a multi-year plan which is sufficiently reliable to estimate multi-year financial flows is available;
- it takes into account both the return time and the risk of the investment in a time horizon that can be more or less wide-ranging.

In order to obtain greater confidence with regard to the results expressed by the application of the financial method, as previously stated a second valuation method was used, namely the SOP method which is reflected in the valuation practice under the scope of companies operating in regulated sectors. This method consists of the sum of the individual valuations that

can be assigned to each group company or business areas understood as economic entities susceptible to independent valuation. The valuation is conducted applying the valuation method deemed most appropriate to each company or business unit.

With regard to the case in question, it was not, however, deemed appropriate to use the market multiples method because the impossibility of identifying listed companies comparable to Italgas (in terms of sector of operations, regulatory WACC, duration of the concessions portfolio) means that it would have a limited impact.

5.1 Application of the DCF method

The economic value of the company in question was estimated based on the following valuation formula:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

where the parameters have the meaning described previously. Note that the operating cash flows are discounted in the event that they are formed uniformly over the space of each financial year.

The criteria adopted for the estimation of the parameters in the valuation formula are described below.

a) Calculation of operating cash flows

The cash flows for the period April 2016 - December 2016 and the financial years 2017-2022 are given in Table 6 below.

When calculating the operating cash flow net of tax the notional taxes on EBIT, estimated as the extent of (i) 24% of operating income for IRES (from 2017) and (ii) 3.9% of the taxable amount of IRAP were taken into account.

Table 6: operating cash flows

Operating cash flow (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO	79	(43)	0	(13)	(50)	(538)	212
FCFO 31/03/2016	(118)	-	-	-	-	-	-
FCFO Adj.	(39)	(43)	0	(13)	(50)	(538)	212

Moreover, in order to estimate correctly the operating cash flow for the period April 2016 - December 2016, the part related to the period January 2016 - March 2016 was deleted from the 2016 annual cash flow.

b) Estimate of the weighted average capital cost (WACC)

The reference rate for discounting of unlevered cash flows, intended for remuneration of both holders of credit capital and holders of venture capital, is the weighted average cost of the venture and debt capital (WACC):

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

The cost of venture capital was determined, as mentioned above, using the Capital Asset Pricing Model (CAPM) formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

For the purposes of Italgas evaluation, the following parameters were used:

- The risk free rate (Rf), or the yield expected in the long run for no-risk investments, was assumed to be equal to 0.45%, in line with the 6-month mean of 15-year German State Bonds (Bund), as of 20 June 2016 (source: *Bloomberg*). The temporal horizon of reference for the observation of the risk free rate reflects the duration of Italgas concession portfolio adopted in the Plan (approximately 15 years from the date of this Opinion, versus a residual duration of 8-9 years as of 2022).
- The market risk premium ([E(RM) – Rf]) was assumed to be 8.8%, in line with the last measurements available for the Italian market (source: *Damodaran*, January 2016);
- The coefficient β (*levered)* was assumed to be equal to 0.7, in line with the value indicated

by the Authority for the determination of currently applicable regulatory WACC;

- The risk-specific (RS) premium was assumed to be equal to 2.0%, according to various aleatory factors that could affect the actual achieving of cash flows according to the Plan, such as:
  - (i) a potential revision of current rate levels by the Authority (whose medium-long term evolution cannot be predicted today);
  - (ii) A different modulation of the tender plan in the upcoming years; and
  - (iii) A different percentage of contract awarding of the Company (this last element, in particular, could lead to a significant revision compared to the Plan's projections, both for the investments made in the period 2016-2022 and for the Company profitability level in the long run).

With various weighted factors, the cost of own capital (Ke) is 8.6%.

On the other hand, the cost of long term debt capital (Kd) was assumed to be equal to approx. 2.4%, in line with the Company's long-term mean debt cost.

Finally, the debt ratio D/E (gearing) was assumed to be equal to 0.5, reflecting the long-term financial structure of the Company, expressed in market value, where 'E" is the current economic value of Italgas.

The tax aliquot was assumed to be equal to the IRES aliquot (24%).

In view of this, the mean weighted cost of Italgas capital used for the purposes of discounting unlevered operating cash flows is equal to 5.2% (Table 7).

Table 7: determination of the weighted mean cost of Italgas capital

WACC	
Rf	0.45%
Beta	0.7
ERP	8.8%
Specific risk	2.0%
Ke	**8.6%**
Kd	2.4%
t (Ires)	24.0%
Kd*(1-t)	**1.8%**
D/(D+E)	**0.5**
WACC	**5.2%**

c) Estimate of the "Terminal Value"

The estimate of the value of the Company for the years after 2022 (so-called "Terminal Value") was obtained using the following evaluation algorithm:

$$W = \frac{CF_n(1+g)}{(i-g)}(1+i)^{-n}$$

where i represents the already known discount rate (WACC), to which no corrections have been applied for the determination and discounting of the Terminal Value.

The normal expected mean cash flow (CFn) was estimated assuming a long-term growth of 1.5% (g). The other items of the income statement, assets and liabilities were obtained assuming that the Company would reach the terminal activity level at the end of 2022; Table 8 reports the estimate of the expected normal mean cash flow, estimated at approx. €330 million, and the Terminal Value, calculated using the formula described above, or by capitalisation of the expected normal mean cash flow at a rate equal to the difference (WACC – g), where WACC is equal to the above-mentioned rate:

Table 8: Calculation of the Terminal Value

Terminal Value (€ million)	
$FCFO_{TV}$	331
WACC	5.2%
g	1.5%
Discount rate	72.8%
Terminal Value (31/03/2016)	6,488

d) Application of the Discounted Cash Flow

The Italgas Enterprise Value was estimated by applying the DCF method. In detail, the "explicit" operating cash flows represented in Table 9 are discounted by applying the WACC rate, as indicated in Table 7:

Table 9: *discounted* FCFO

DCF Model (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO Adj.	(39)	(43)	0	(13)	(50)	(538)	212
Discount rate	98.1%	93.8%	89.2%	84.8%	80.6%	76.6%	72.8%
Discounted FCFO Italgas	(38)	(40)	0	(11)	(40)	(412)	155
∑ Discounted FCFO Italgas (31/03/2016)	(387)						

Then we calculated the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 (as described in Paragraph 3.8 of this Opinion). This disbursement, estimated at €515 million in 2024, was discounted with application of the WACC rate, determining this way a current negative value of €339 million.

Finally, the Italgas Enterprise Value was calculated as an algebraic sum of discounted "explicit" operating cash flows, the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 and the Terminal Value, as shown below in Table 10.

Table 10: Calculation of Italgas Enterprise Value

Enterprise Value €mln	
∑ Discounted FCFO Italgas (31/03/2016)	(387)
Present value esbursement renewal Rome concession 2024	(339)
Terminal Value (31/03/2016)	6,488
Enterprise Value Italgas (31/03/2016)	5,762

To sum up:

- Based on 2016-2022 forecasts provided by the management;
- Considering an expected flow discounting rate for the period of analytic projection of 5.2%;
- Considering the hypotheses adopted for the purposes of estimation of the cash flow for the period after 2022 and the expected long-term growth rate,

We obtained the Company's Enterprise Value of €5,762 million.

In order to determine the Company's Equity Value, we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March 2016, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield[15], amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 March 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

[15] The Mark to Market value as of 31 March 2016 is approximately €116 million. For the calculation of the tax shield we considered the IRES aliquot of 27.5%, since the disbursement is planned by the end of 2016

Table 11: Calculation of Italgas Equity Value

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	5,762
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	222
Minorities Italgas (31/03/2016)	(1)
Italgas Net financial debt (31/03/2016)	(1,735)
MtM debt Snam - Italgas (31/03/2016)	(84)
2015 Italgas not distributed dividends	(275)
2015 investee not distributed dividends	14
Equity Value Italgas (31/03/2016)	3,903
Equity RAB (cons.)+Equity RAB Ass.	3,797
Shareholders' equity 31/03/2016 Italgas	2,785
Equity Value - shareholders' equity premium (discount)	*40.1%*
Italgas ordinary shares (number)	252,263,314
Italgas Equity Value (31/03/2016)	3,903
Italgas Equity Value per share (€)	15.5

The Company's Equity Value determined this way is equal to €3,903 million (equal to €15.5 per share).

The analyses described above show that the economic value of Italgas determined by application of the DCF method can be fully attributed to positive cash flows expected to be generated beyond the explicit horizon of projections 2016-2022. These cash flows, significantly influenced by long-term economic and financial forecasts, are by definition aleatory.

Therefore, for evaluation purposes it is good to keep in mind the main assumptions regarding the expected long-term cash generation capacity of the Company, such as:

- Completion of the tender plan by 2022 for assigning of concessions, at the end of which the Company expects to increase its market share;
- Maintaining of the current tariff levels for the entire horizon of the Plan. In particular, the Company does not expect any revision of RAB remuneration rates, neither at the beginning of the second Sub-Period of the Fourth Regulatory Period (2019) nor at the beginning of the Fifth Regulatory Period (2022).

In particular, the hypothesis of strengthening of the competitive positioning on the market expected by the Company over the Plan's duration reflects not only the development dynamics of existing activities, but also new growth opportunities, directly correlated to the management's expectations regarding awarding of tenders for obtaining concessions.

Also in view of this consideration, we performed a sensitivity analysis of the relation between the economic value of Italgas, determined by means of application of the DCF method and the main evaluation parameters adopted, represented by (i) the long-term growth rate (rate g) and (ii) the cash flow discounting rate (WACC).

Table 12: *Sensitivity Analysis – Enterprise Value* in € million

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	5,310	5,728	6,205	6,756	7,397
5.1%	5,133	5,528	5,977	6,494	7,093
5.2%	4,964	5,338	5,762	6,248	6,809
5.3%	4,803	5,157	5,558	6,016	6,542
5.4%	4,650	4,986	5,366	5,797	6,292

Table 13: *Sensitivity Analysis – Equity Value* in € million

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	3,451	3,869	4,346	4,897	5,538
5.1%	3,273	3,668	4,118	4,635	5,234
5.2%	3,104	3,478	3,903	4,389	4,950
5.3%	2,944	3,298	3,699	4,157	4,683
5.4%	2,790	3,127	3,506	3,938	4,432

Table 14: *Sensitivity Analysis* – Italgas value per share

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	13.7	15.3	17.2	19.4	22.0
5.1%	13.0	14.5	16.3	18.4	20.7
5.2%	12.3	13.8	15.5	17.4	19.6
5.3%	11.7	13.1	14.7	16.5	18.6
5.4%	11.1	12.4	13.9	15.6	17.6

The sensitivity analysis shows that the estimate of the economic capital of the Company is highly correlated both with the WACC discounting rate and with the long-term growth rate: this circumstance can be explained by the temporal distribution of the Company cash flows, which, as shown on the previous pages, involved reaching of positive operating cash flows only in 2022. In fact, in the Plan's years the execution of investments planned within the tender plan absorbs resources generated by the core business, but at the same time creates conditions for a stable operating cash flow generation in the long term. As it was said, this element is reflected in the Company's Terminal Value.

5.2 Application of the SOP method

The SOP method involves the evaluation of the company under analysis by adding individual evaluations attributable to each company of the group or business areas intended as economic entities that are subject to autonomous evaluation.

The evaluation is performed by applying the evaluation method considered to be the most appropriate to each company or business unit, determined in advance.

Considering the characteristics of the main business areas where the Company operates, the following methodologies were applied (Table 15):

Table 15: Evaluation methods applied (SOP)

Methodology applied	
EV Italgas Regulated activities	*RAB - 2015A-2016E weighted average* *Present value esbursement renewal Rome concession 2024*
EV Italgas Non regulated activities	*Discounted Cash Flow*

With special reference to the RAB method, it is among so-called "mixed" criteria, considering both the asset elements and the economic-financial flows and consists of assuming the recognised RAB value as the indicative value of the Enterprise Value of regulated activities. In fact, RAB represents the value of the net invested capital, constituting the basis for the calculation of operator's remuneration for the activities subject to regulation, for the determination of the reference revenue.

For the purposes of evaluation of the Company, the value of regulated activities was determined assuming as a reference the mean weighted value of RAB 2015A-2016E, determined from (i) the value of RAB at 31/12/2015 and (ii) the estimate of RAB 2016E prepared by the management. In particular, for the purposes of determination of a weighted mean of these two values, we made a hypothesis of linear progression of RAB development in 2016. This value was then corrected for the actual value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome (equal to €339 million, as described in Paragraph 5.1)

Therefore, the Enterprise Value of regulated activities is equal to €5,317 million, determined as an algebraic sum of the following components:

- RAB (weighted mean 2015A-2016E), equal to €5,656 million;
- The current value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome in 2024 (equal to €339 million).

This value was added to the Enterprise Value of non-regulated activities, equal to €58 million, determined by application of the DCF method assuming a cash flow discounting rate aligned with the previously estimated WACC (5.2%).

Therefore, the SOP method permits to establish an Enterprise Value of approximately €5,375 million.

In order to determine the Company's Equity Value, also in this case we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield, amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 march 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

The Company's Equity Value determined this way is equal to €3,516 million (equal to €13.9 per share), as represented below (Table 16).

Table 16: Calculation of Italgas Equity Value

Enterprise Value (€ million)	
EV Italgas Regulated activities	5,317
RAB - 2015A-2016E weighted average	*5,656*
Present value esbursement renewal Rome concession 2024	*(339)*
EV Italgas Non regulated activities	58
Enterprise Value Italgas (31/03/2016)	**5,375**

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	**5,375**
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	**222**
Minorities Italgas (31/03/2016)	**(1)**
Italgas Net financial debt (31/03/2016)	**(1,735)**
MtM debt Snam - Italgas (31/03/2016)	**(84)**
2015 Italgas not distributed dividends	**(275)**
2015 investee not distributed dividends	**14**
Equity Value Italgas (31/03/2016)	**3,516**
Equity RAB (cons.)+Equity RAB Ass.	**3,797**
Shareholders' equity 31/03/2016 Italgas	**2,785**
Equity Value - shareholders' equity premium (discount)	*26.3%*
Italgas ordinary shares (number)	**252,263,314**
Italgas Equity Value (31/03/2016)	**3,516**
Italgas Equity Value per share (€)	**13.9**

6. Update of evaluations as of 31 May 2016

Below is the summary of results of the application of the SOP and DCF methods with reference to the evaluation of Company's Equity Value.

Table 17: Summary of evaluations as of 31/03/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/03/2016)	**5,375**	**5,762**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/03/2016)	**3,516**	**3,903**
Equity RAB (cons.)+Equity RAB Ass.	3,797	3,797
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**13.9**	**15.5**

As indicated in Chapter 5 of this Opinion, this evaluation was performed - preliminarily - assuming as a reference the economic, asset and financial situation of the Company as of 31 March 2016 (to which the interim management report approved by the Company's Board of Directors on 9 May 2016 refers).

Then the evaluation was updated based on the results of the interim management report received by the Company on 17 June 2016. Below is the summary of evaluation results assuming as a reference the economic, asset and financial situation of the Company as of 31 May 2016.

Table 18: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

On 21 June 2016, the Company's Board of Directors approved the interim management of 31 May 2016, in the same version previously transmitted to us on 17 June 2016, as shown by the certification issued in this respect by the Company on 21 June 2016.

It is noted that following the update of economic-financial data of 31 May 2016, the evaluation of Equity Value of the Company does not show significant differences compared to that obtained using the economic, asset and financial situation of the Company as of 31 March 2016.

Therefore, for the purposes of this Opinion we used the Italgas Equity Values determined on the basis of the interim report of 31 May 2016.

7. Conclusions

Below is the summary of results obtained, with reference to 31 May 2016, from the application of the SOP and DCF methods for the evaluation of Company's Equity Value.

Table 19: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

As represented above, the application of SOP and DCF methods permits to identify a modest range of values (~6.3% in terms of Enterprise Value, ~9.3% in terms of Equity Value). Therefore, it appears reasonable to conclude that for the purposes, for which this estimate is prepared, it is possible to assume all the values included in the range defined by the minimal and maximal values corresponding respectively to the value resulting from the application of the SOP and DCF method, as represented in Table 20.

Table 20: value of Italgas stake being contributed

Contribution (€ million)	SOP	DCF
Italgas Equity Value (31/05/2016)	3,585	3,935
Italgas ordinary shares (number)	252,263,314	252,263,314
Equity Value per share (€)	**14.2**	**15.6**
Contribution stake	**8.23%**	**8.23%**
Contribution ordinary shares (number)	**20,765,649**	**20,765,649**
Value of the stake being contributed	**295**	**324**

In view of the results and considerations presented, Colombo & Associati, pursuant to the provisions of Art. 2343-ter paragraph 2, of the Italian Civil Code, certifies that the value of the portion of capital represented by 20,765,649 ordinary shares being contributed, corresponding to 8.23% of the Company's capital, is between €295 million and €324 million.

Milan, 24 June 2016

Paolo Andrea Colombo

Colombo & Associati - Chairman of the Board of Directors

Annex 10

Expert Report prepared pursuant to Article 2343-*bis* paragraph 2, of the Civil Code with reference to the equity investment held by Snam in Italgas (including the equity investments in investee companies) subject of the Sale

The official text was published in Italian on 5 July 2016

Valuation report pursuant to Article 2343-*bis* paragraph 2 of the Italian Civil Code, in relation to the sale by Snam of a 38.87% stake in Italgas to ITG Holding

24 June 2016

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1. Introduction

1.1 Subject of the engagement and purpose of the appraisal

On 13 May 2016, Colombo & Associati S.r.l., with registered office in Milan, Piazza dei Mercanti no. 11 ("**Colombo & Associati**" or "**C&A**"), received the engagement (the "**Engagement**") from Snam S.p.A. ("**Snam**" or the "**Customer**") to prepare a sworn valuation report (the "**Opinion**") pursuant to Article 2343-*bis* paragraph 2 of the Italian Civil Code in relation to the sale by Snam to ITG Holding S.p.A. ("**ITG Holding**"), a wholly-owned subsidiary of Snam, of a 38.87% stake in Italgas S.p.A. ("**Italgas**" or the "**Company**") (the "**Sale**"), within a broader industrial and corporate restructuring entailing the separation of ownership of Italgas from Snam (the "**Transaction**").

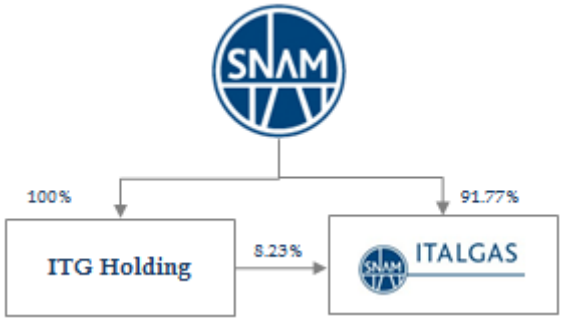
The Opinion therefore concerns first of all the determination of the value of all assets of the Company and, subsequently, the value attributable to the portion of share capital represented by the 98,054,833 ordinary shares with a nominal value of €1 each subject to the Sale, corresponding to 38.87% of the share capital of the Company.

1.2 Description of the transaction

The Sale is part of a broader, complex industrial and corporate restructuring aimed at the separation of ownership of Italgas from Snam through the following transactions:

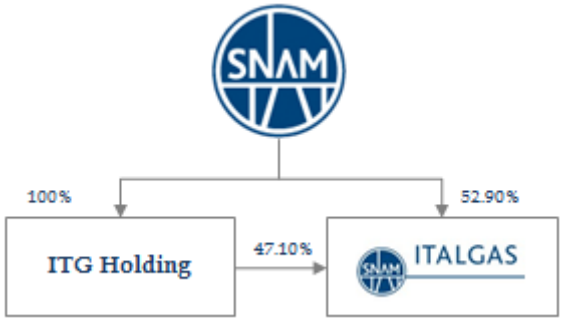
1) Transfer in kind by Snam to ITG Holding of an equity investment consisting of 20,765,649 shares, equal to 8.23% of the share capital of Italgas (Figure 1);

Figure 1: Transfer (8.23% Italgas)



2) Sale by Snam to ITG Holding of 98,054,833 shares of Italgas, representing 38.87% of its share capital, for the issue of a debit note in an amount equal to the value of the transaction in order to provide the saleee company with a level of financial debt consistent with its asset, risk and cash generation profile (Figure 2) (the "**Sale**").

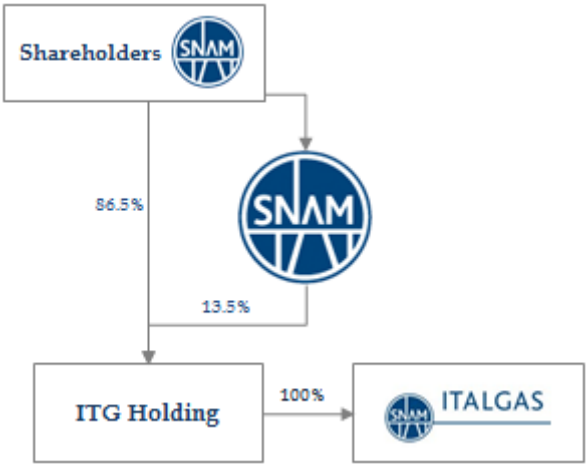
Figure 2: Sale (38.87% Italgas)



3) Partial and proportional Demerger of Snam with the assignment to ITG Holding of the spun-off assets consisting of a 52.90% stake in Italgas (133,442,832 Italgas shares) (Figure 3) (the "**Demerger**"). In particular, as a result of the Demerger, the shareholders of Snam will be assigned, without the payment of any valuable consideration, shares of the beneficiary company (ITG Holding) to an extent proportionate to those held by each in the spun-off company (Snam) at the time of the Demerger. The assignment will take place based on the ratio of one ordinary share of ITG Holding for every five Snam shares held. Following the assignment, the Snam shareholders will hold a total of 86.5% of the share capital of the beneficiary ITG Holding. There will be no adjustment in cash.

Both the spun-off company and the beneficiary company are subject to common control by Cassa Depositi e Prestiti, the relative majority and controlling shareholder of Snam with an equity investment of 30.1% at 20 June 2016. It is assumed that the Demerger is a "business combination involving entities or business under common control" and, as such, is not subject to the application of IFRS 3, on the assumption that Cassa Depositi e Prestiti will also confirm for ITG Holding the existence of control pursuant to IFRS 10 as takes place for Snam. As a result, the Demerger will take place with continuity of accounting values.

Figure 3: Demerger (52.90% Italgas)



The three transactions represent three elements which are formally distinct but part of a unitary plan, the individual phases of which have as a final result the sale of the controlling stake held by the spun-off company in Italgas in favour of the beneficiary company: upon completion of the Transaction, Snam will have salered the entire equity investment previously held in Italgas to the beneficiary company, which in turn will be held in the proportion of 86.5% by Snam shareholders and 13.5% by Snam itself.

The effectiveness of the Demerger, as well as the Sale and Transfer, is subject to the fulfilment of the following conditions:

1. the issue of the measure by Borsa Italiana for the admission to trading of the shares of ITG Holding on the electronic market (MTA);
2. the issue of the opinion of equivalence by Consob pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the disclosure document prepared by the Company pursuant to Article 70 of the Issuer Regulations;
3. the approval of the Transaction by the Snam bondholders' meeting.

Based on the planned timing of the Transaction, subject to the fulfilment of these conditions, the Demerger will presumably become effective by the end of 2016.

1.3 Introductory considerations relating to the valuation

A necessary premise is constituted by the definition of certain fundamental concepts regarding corporate valuations, such as that of "value", in the dual configuration of general value and of subjective value, and that of "price".

The general value of a company's capital is that value which, under normal conditions, is deemed consistent by a hypothetical generic investor. This notion is distinguished from the concept of subjective acquisition value of a company, a value which is instead determined in light of the utility of the investment for a specific buyer.

The price, on the other hand, starting with the notion of value, also reflects contingent phenomena relating to the status of supply and demand, as well as the nature and characteristics of the contracting parties, their bargaining power and relevant aspects of the negotiation.

This premise is required as the value of a company cannot be considered an absolute, unambiguously calculable amount, but rather is a relative value, subject to the objective pursued through the valuation procedure.

As a result, the selection of a valuation methodology is functionally correlated with the purpose of the valuation.

The estimate of the value of a company's economic capital is based on the general principles of the theory of financial investments, according to which the value of any investment (category to which the company belongs) is functionally dependent on the extent of the expected profit flows, the balance sheet value of its assets and the rate of return of alternative investments with substantially zero risk, taking into account the degree of risk that can be associated with the company subject to the valuation. According to this approach, reference is made exclusively to the business conditions existing in the company subject to valuation, regardless of the effects of any actions that could be implemented by specific potential buyers.

In light of the foregoing, as well as the purposes for which the Opinion is prepared, it is therefore specified that the subject of this valuation is exclusively the determination of the general value of the economic capital of Italgas, irrespective of any subjective elements.

2. Reference date and documentation used

2.1 Reference date

The reference date for the valuation of the Company's economic value is that on which this Opinion is prepared. In particular, the valuation was carried out - on a preliminary basis - by taking as a reference the economic, capital and financial situation of the Company at 31 March 2016 (to which the interim directors' report approved by the Company's Board of Directors on 9 May 2016 refers). Subsequently, the valuation was updated on the basis of the results reflected in the interim directors' report at 31 May 2016 approved by the Company's Board of Directors on 21 June 2016.

Chapter 6 of this Opinion provides the results of the valuation of the Company's economic value at 31 March 2016 and 31 May 2016.

Considering that:

(a) the value of the Company's economic capital is almost exclusively ascribable to regulated activities which, by their nature, have no relevant fluctuations in value in the very short term;

(b) the most recent date of preparation of the Company's economic, capital and financial information is 31 May 2016 (to which the interim directors' report approved by the Company's Board of Directors on 21 June 2016 refers);

(c) from 31 May 2016 to the date of preparation of this opinion, as certified by the Company, no facts, events or circumstances have taken place which are such as to significantly influence the economic-capital results of Italgas.

the date of 31 May 2016 is suitable and reasonable to be assumed as a reference as the basis for the valuation of the Company's economic capital at the date on which this Opinion is prepared.

2.2 Documentation used

The following data and information were obtained and examined to complete the engagement assigned:

- the separate financial statements of Italgas S.p.A. at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated directors' report of Italgas at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated interim directors' report of Italgas at 31 March 2016 approved by the Company's Board of Directors on 9 May 2016;
- the draft consolidated directors' report of Italgas at 31 May 2016 transmitted by the Company on 14 June 2016 and 17 June 2016;
- the drafts of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the PowerPoint versions transmitted by the Company on 11 May 2016 and 10 June 2016;
- the drafts of the statements of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the Excel versions transmitted by the Company on 16 May 2016, 20 May 2016, 13 June 2016 and 17 June 2016;
- the documentation prepared by the Company with reference (i) to the evolution of the regulatory framework regarding ATEM and tenders for the awarding of concessions and (ii) to the regulation of distribution tariffs;

The informational framework was completed by a series of news, reports and information in general, including forecasts, acquired directly through interviews with the company management, in addition to a series of information obtained on websites and from databases used for this reason. All documentation examined is filed in the records at the registered offices of Colombo & Associati.

In preparing this Opinion, Colombo & Associati assumed and relied on, without subjecting them to an independent verification, the accuracy and comprehensiveness of all information used including, by way of example but not limited to, all financial information and other information provided by the Company management.

Colombo & Associati relied on the fact that the consolidated directors' report of Italgas at 31 May 2016 and the Italgas 2016-2020 business plan approved by the Board of Directors on 21 June 2016 do not differ from the results set forth in the drafts of the consolidated directors' report at 31 May 2016 and in the statements of the Italgas 2016-2020 business plan transmitted by the Company on 17 June 2016, as shown in the certifications issued in this regard by the Company on 21 June 2016.

Colombo & Associati did not carry out any investigation or independent assessment as to the content of such information, reports or declarations and did not provide or obtain any specialised opinion that was, for example but not limited to, legal, accounting, actuarial, environmental, IT or fiscal in nature; as a result, this Opinion does not take into account the possible implications that any one of the above-mentioned types of analysis may have entailed.

In addition, the Opinion is necessarily based on the economic, monetary, market, legislative and regulatory conditions existing on today's date. Events that occur subsequent to the date of this Opinion may impact its conclusions as well as the assumptions upon which it is based. In particular, the future evolution of structural dynamics of the sector in which Italgas carries on business and the laws that govern it could influence the factors determining the value of the Company; in that case, Colombo & Associati shall have no obligation to update, amend or confirm this Opinion.

3. The company subject to valuation

3.1 Brief description of Italgas

Italgas, whose share capital consists of 252,263,314 ordinary shares with a nominal value of €1 each and is wholly owned by Snam, is a leader in Italy in the urban natural gas distribution sector. The distribution service consists of gas transport via local gas pipeline networks from delivery points to the metering and reduction stations connected with the transportation networks and then to the end-user redelivery points. Italgas also carries out metering activities, consisting of the determination, reporting, provision and archiving of metering data regarding natural gas withdrawn on the distribution networks.

The Company is regulated by the Electricity, Gas and Water Authority (the "Authority" or "AEEGSI"), which defines the methods for providing the service as well as the distribution and metering tariffs.

Gas distribution activities were traditionally carried out under concessions assigned on a municipal basis[1]. This activity is carried out by transporting the gas for the sales companies[2] authorised to market to end users.

[1] In 2011, four ministerial decrees were adopted to reform the regulations governing this sector. In particular, a dedicated decree established 177 multi-municipality minimum geographical areas (ATEMs) based on which the new concessions will necessarily need to be assigned.

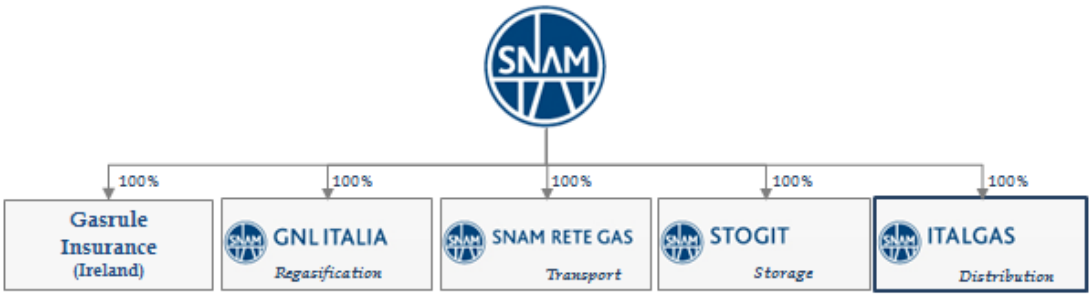
[2] The relationship between the distribution companies and the sales companies is defined by a dedicated document called the "Network Code" which specifies the services provided by the distributor, broken down between the main services (gas distribution service, technical distribution system management) and accessory services (installation of new plants, activation, deactivation, suspension and reactivation of the supply to end users, checking of metering units at the request of end users, etc.).

3.2 Corporate structure of Snam and Italgas

The Snam group, founded in 1941, employs more than 6,000 people and is active in the transport (through Snam Rete Gas), storage (through Stogit), regasification (through Gnl Italia) and urban distribution of natural gas (through Italgas).

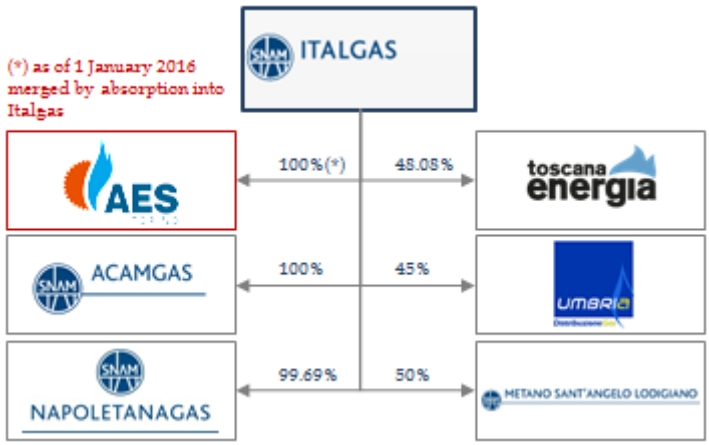
The corporate structure of the group controlled by Snam is shown below (Figure 4).

Figure 4: corporate structure of Snam



Italgas, established in 1837, was the first Italian company engaged in urban gas distribution. Italgas group as at 31 May, 2016 employs 3,325 people. The corporate structure of the group is shown below (Figure 5).

Figure 5: corporate structure of Italgas



Italgas also operates through its investees listed below:

- Acam Gas S.p.A. (Acam Gas) (100%), fully consolidated, was established in 2004 following the transfers by Acam S.p.A. and Italgas S.p.A. of the respective business units relating to gas distribution in the municipalities of the province of La Spezia. Following this transaction, the company was 49% held by Italgas and 51% by Acam; on 1 April 2015, Acam S.p.A. and Italgas S.p.A. entered into the deed of sale of the shares constituting 51% of the share capital of Acam Gas S.p.A. in favour of Italgas. The company currently distributes gas in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, serving 112,000 active redelivery points. The distribution network managed by the Company at 31 December 2015 covers 1,201 km;
- Azienda Energia e Servizi Torino S.p.A. (AES Torino[3]) (100%), fully consolidated, carries out gas distribution activities in the municipality of Turin. On 21 December 2015, the deed was entered into for the merger by absorption of the wholly-owned subsidiary AES Torino S.p.A. into its parent company Italgas S.p.A. effective as of 1 January 2016. The distribution network managed by the Company at 31 December 2015 covers 1,338 km, and there are 463,673 active redelivery points;
- Compagnia napoletana di illuminazione e scaldamento con gas S.p.A. (Napoletanagas) (99.69%), fully consolidated, holds concessions in 133 municipalities in the Region of Campania for the gas distribution service and in 5 municipalities for the drinking water service. The distribution network managed by the Company at 31 December 2015 covers 5,368 km, and there are 742,595 operational redelivery points;
- Toscana Energia S.p.A. (48.08%), operating as of 1 March 2007, was founded from the merger of Fiorentinagas and Toscana Gas. The company is a leader in the natural gas distribution sector in Tuscany; please note that at 31 December 2015, Toscana Energia

[3] On 1 January 2016, the wholly-owned subsidiary AES Torino was merged by absorption into its parent company Italgas S.p.A.

S.p.A. holds 100% of the share capital of the company Toscana Energia Green S.p.A. and 56.67% of the share capital of Toscogen S.p.A. (in liquidation);

- Umbria Distribuzione Gas S.p.A. (45%) manages the natural gas distribution service under concession in the municipality of Terni;
- Metano Sant'Angelo Lodigiano S.p.A. (50%) has been active since 1952 in the urban natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro in the district of Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

3.3 Infrastructures and territorial presence

Italgas, together with its subsidiaries Acam Gas and Napoletanagas, conducts its activities making use of an integrated system of infrastructures, which, to a large extent, it owns, comprising cabins for the collection of gas from the transportation network, pressure reduction plants, approximately 56,731 km of distribution networks and 6,527,058 operational redelivery points (at 31 March 2016), represented by demarcation points between the gas distribution plant and the internal plant of the end user where the gas meters are installed. In addition, on 31 March 2016, the Italgas group obtained the concession for the gas distribution service in 1,472 municipalities.

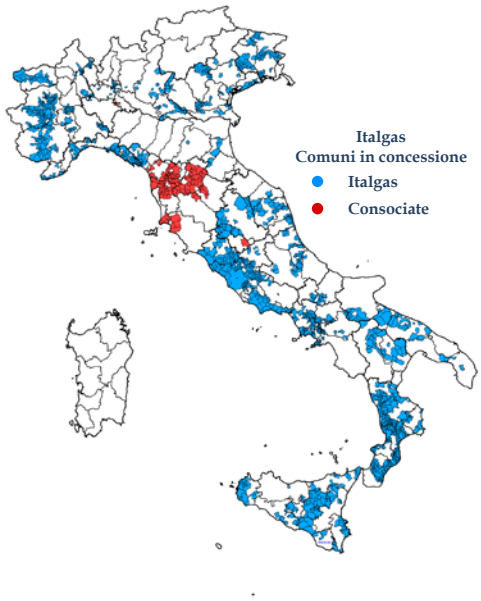
The main operating data for the Italgas group is illustrated below (Table 1) and the map for the municipal areas under the Italgas concession (Figure 6).

Table 1: Italgas group main operating data

Key operating figures	31/12/2013	31/12/2014	31/12/2015	31/03/2016
Concessions (number)	1,435	1,437	1,472	1,472
Active meters (nr.)	5,928,021	6,407,592	6,525,984	6,527,058
Distribution network (kilometres) (*)	52,993	55,278	56,717	56,731
Gas distribution (millions of cubic metres)	7,352	6,500	7,599	3,460
Employees in service (number)	3,008	3,124	3,298	3,324

(*) Kilometres of network managed by Italgas

Figure 6: map of Italgas concessions



At 31 March 2016 Italgas S.p.A. holds the concession for the gas distribution service in 1,310 municipalities (including the concession for the gas distribution service in the municipality of Turin, as a result of the merger by incorporation of AES Torino into Italgas). In addition, through its subsidiaries Acam Gas and Napoletana Gas, Italgas holds the concession for the gas distribution service in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, and in 133 municipalities in the Campania Region (as well as 5 municipalities for the drinking water service).

3.4 The relevant regulatory framework.

In recent years the natural gas sector has been subject to intense regulatory activity at a national and EU level in order to liberalise the sector with the main goal of creating a single European market. The regulatory process was launched by Directive 98/30/EC of 22 June 1998, implemented in Italy through Legislative Decree 164 of 23 May 2000 (the "Letta Decree"). This decree radically changed the gas industry in Italy: from a vertically integrated market fully concentrated as a monopoly under Eni, it moved to a free competitive market for the

production, procurement and sales stages and a regulated market for the gas transportation, storage and distribution stages, in other words for the parts of the industrial chain featuring natural monopoly conditions.

With special reference to the gas distribution sector, the Letta Decree required local authorities to award the natural gas distribution service through a public tender with bids for a period not exceeding twelve years.

The year 2004 saw the approval of Law 239/2004 (the "Marzano Law"), aimed at the reorganisation of the energy sector. The law addressed the framework governing the responsibilities of the State which took on the role of directing and controlling the national energy policy.

In 2007, in order to guarantee greater competition and minimum levels of service quality in the natural gas distribution sector, Article 46 of Decree Law 159/2007 (converted into Law 222/2007) delegated the Ministry of Economic Development and the Ministry of Regional Development to issue two distinct decrees, the first aimed at establishing "*the criteria for tenders and evaluating bids in the awarding of the gas distribution service*" and the second designed to determine "*the minimum territorial areas for the tender process for awarding the service*", as well as "*measures for encouraging business combinations*".

Also, in order to follow up the objectives established by Law 222/2007, during the period between 2011 and 2015 the regulatory principles and profiles, which govern the gas distribution public service and the tenders for awarding concessions were introduced through various interventions by the legislator[4] and they are listed below:

- rationalisation of the number of tenders, with calls now planned for homogenous areas ("Minimum Territorial Areas" or "ATEMs", in line with the provinces and main urban

[4] By way of example: MiSE (Ministry for Economic Development) in consultation with the MRR (Monitoring and Reporting Regulation) of 19 January 2011 (in force from 1 April 2011), Ministerial Decree of the MiSE in consultation with the MLPS (Ministry of Labour and Social Policy) of 21 April 2011 (in force from 5 May 2011), Ministerial Decree of the MiSE in consultation with the MRR (Monitoring and Reporting Regulation) of 18 October 2011 (in force from 29 October 2011), Ministerial Decree of the MiSE in consultation with Monitoring and Reporting Regulation 226 of 12 November 2011 amended through Ministerial Decree 106 of the MiSE of 20 May 2015 (in force from 11 February 2012 and the amendments of 29 July 2015), Ministerial Decree of the MiSE of 5 February 2013 on the proposal of the AEEGSI (Electricity, Gas and Water Authority) (in force from 2 March 2013) and Ministerial Decree of the MiSE (Ministry of Economic Development) of 22 May 2014 (in force from 7 June 2014).

areas) and no longer at the level of individual municipalities. The application of this principle led to the identification of 177 ATEMs, with a consequent reduction in the number of tenders for awarding concessions (which previously stood at approximately 6,800 tenders at local level);

- provision of a limited time frame (3-4 financial years) for the call for tenders by the contracting entities, with the power of replacement by the Regions if these deadlines are not complied with and the intervention of the Ministry for Economic Development if the Regions do not exercise their power;
- ownership of the infrastructures by the operators and, at the outcome of the tender for awarding the concession, sale to the incoming operator, with compensation based on the reconstruction value as new of the plants (repayment value);
- adoption of the operational and financial requirements in order to be able to participate in the tenders;
- adoption of standard criteria for the evaluation of the bids, based on the economic conditions of the latter, the service quality and safety offered and the investment plan put forward by the operator.

In 2015, Law Decree 210/2015 (the "*milleproroghe*") finally revised the latest dates for the publication of the calls for tender by the contracting entities. Specifically, the first deadline will be July 2016. This decree also eliminated the penalty imposed on contracting entities in breach of the calls for tenders and laid down new terms for the Regions and Ministry for Economic Development in exercising the power of replacement.

3.5 The relevant tariff system

Natural gas distribution activities are regulated by the Authority, which determines and updates tariffs as well as drawing up the rules for access to infrastructures and for the provision of related services.

The current tariff system specifically ensures that the revenue used to formulate tariffs is determined in such a way as to ensure that operators' costs are covered and that return on invested capital is fair.

There are three categories of recognised cost:

- the cost of net capital invested for regulatory purposes (regulatory asset base, RAB) through the application of a rate of return for the same ("WACC");
- economic-technical amortisation and depreciation, covering capital expenditure;
- operating costs for the year.

Through Resolution 573/2013/R/gas, the Authority defined the tariff criteria for the distribution and metering services for the regulatory period, from 1 January 2014 to 31 December 2019 ("Fourth Regulatory Period").

Resolution 583/2015/R/gas defined the criteria for determining and updating the WACC rate for infrastructure services for the electricity and gas sectors for the period 2016-2021, in turn divided into two reference sub-periods (first sub-period: 2016-2018; second sub-period: 2019-2021).

Specifically, with reference to the services provided by the Company, the remuneration rate was set for the first sub-period 2016-2018 at 6.1% for the gas distribution service and 6.6% for the gas metering service. Both remuneration rates, expressed in real terms before tax, will be reviewed at the start of the second sub-period 2019-2021, depending on the updating of the parameters adopted for the determination.

3.6 The reference competitive scenario

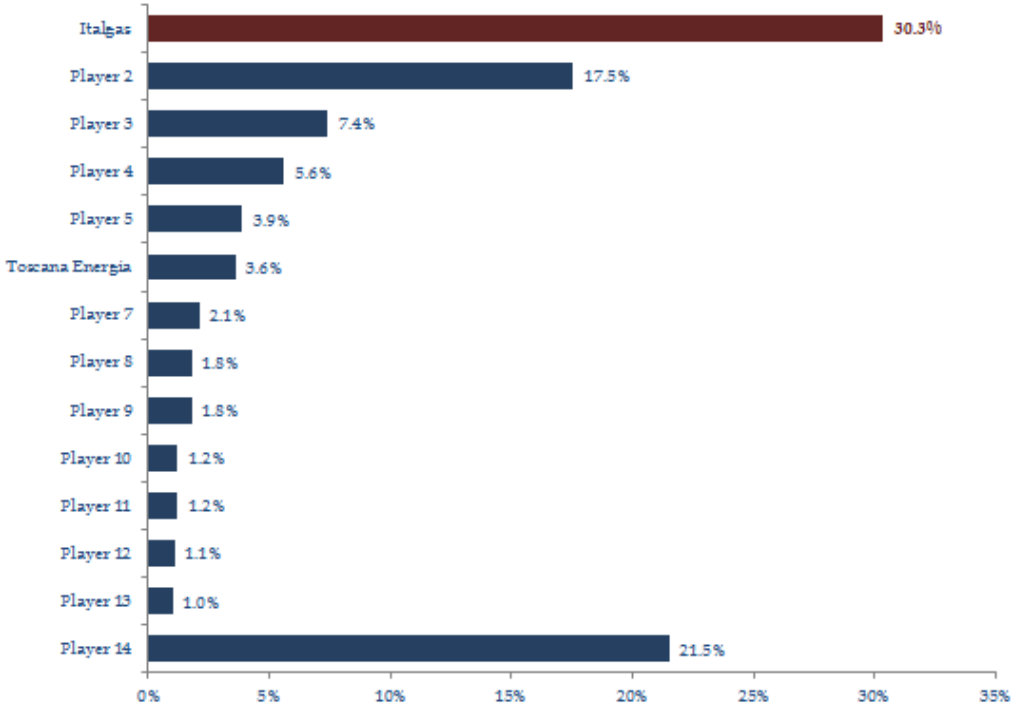
The progressive liberalisation of the gas market, as a result of the Letta Decree, has allowed a process of combinations among operators with intense mergers and acquisitions activity.

On the date this decree came into force, the distribution segment featured the presence of around 700 businesses. At 31 December 2014, the number of distributors on the register of operators at the electricity and gas authority was reduced to 230[5].

Within the gas distribution market, Italgas is the leading Italian operator with a market share of over 30%.

The market shares for operational redelivery points of the major Italian operators in the gas distribution business are listed below (Figure 7).

Figure 7: market shares of the major Italian operators for operational redelivery points



3.7 Italgas historical economic-financial data

The scope of consolidation involves Italgas S.p.A., Napoletana Gas S.p.A., AES Torino[6] (from 1 July 2014) and Acam Gas S.p.A. (from 1 April 2015).

[5] Annual report on the state of services and activity conducted - Authority for electricity, gas and water, 31 March 2015.
[6] From 1 January 2016 merged by incorporation 100% into its parent company Italgas

The companies Metano Arcore S.p.A. and SETEAP S.p.A. were the subject of incorporation, respectively, into Italgas S.p.A. and Napoletana Gas S.p.A. with effect from 1 January 2015.

The main historical economic and financial data of the Company at 31 December 2013, 2014, 2015 and at 31 March 2015 and 2016 are given below (Table 2).

In the financial year 2015, Italgas recorded total revenues of €1,098 million, a 4.3% increase over 2014 (+€45 million). Adjusted revenues in 2015 totalled €1,071 million (equal to 97.5% of total revenues) and refer in the main to payments for the natural gas distribution service (€1,027 million) and technical services connected to the distribution service (€24 million). Unadjusted revenues, equal to €27 million at 31 December 2015, were in line with 2014 and refer to property income (rental), the provision of services and sales of products and other non-regulated revenues.

Table 2: consolidated income statement[7]

Consolidated Income Statement (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2015	31/03/2016
Regulated revenue (*)	1,008	1,026	1,071	*3%*	262	249
Non-regulated revenues	30	27	27	*(5%)*	5	7
Total revenue	**1,038**	**1,053**	**1,098**	***3%***	**267**	**256**
Operating costs (*)	(319)	(331)	(356)	*6%*	(80)	(95)
EBITDA	**719**	**722**	**742**	***2%***	**187**	**161**
% margin	***69%***	***69%***	***68%***		***70%***	***63%***
Amortisation, depreciation and impairment losses	(214)	(245)	(273)	*13%*	(63)	(63)
EBIT	**505**	**477**	**469**	***(4%)***	**124**	**98**
% margin	***49%***	***45%***	***43%***		***46%***	***38%***
EBIT adjusted	**516**	**477**	**509**	***(1%)***		
% adjusted margin	***50%***	***45%***	***46%***			
Net financial expenses	(70)	(54)	(48)	*(17%)*	(17)	(16)
Net income from equity investments	60	98	29	*(30%)*	5	4
Profit before taxes	**495**	**521**	**450**	***(5%)***	**112**	**86**
Income taxes	(194)	(115)	(110)	*(25%)*	(31)	(24)
Tax rate	*39.2%*	*22.1%*	*24.4%*		*27.7%*	*27.9%*
Net profit	**301**	**406**	**340**	***6%***	**81**	**62**
Adjusted net profit	**308**	**355**	**345**	***6%***		

(*) Only for the reclassified income statement, revenue from the construction and upgrading of distribution infrastructure entered in accordance with IFRIC 12 and recognised in an amount equal to the costs incurred (€319 million, €316 million and €321 million respectively in 2013, 2014 and 2015; €46 million and €62 million respectively as at 31 March 2015 and 2016) is shown as a direct reduction of the respective cost items.

[7] The data relating to 2015 include Acam Gas S.p.A. wholly consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A. with effect from 1 January 2015, previously valued at the shareholders' equity. With regard to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects were recognised, respectively in the whole of 2015 and in six months of 2014.

In terms of operating margins, the Group achieved an operating profit in 2015 of €469 million, a fall of €8 million compared with the figure recorded in 2014 (-1.7%). This fall in margins is attributable to the increase in operating costs (+€25 million)[8], amortisation, depreciation and write-downs (+€28 million)[9], an increase only partly offset by greater regulated revenues (+€45 million).

In 2015, the Company made a pre-tax profit of €450 million and a net profit of €340 million (adjusted net profit of €345 million[10]), both lower than the figures recorded in 2014 (a fall of €71 million and €66 million, respectively). Specifically, in 2015, the Company received lower income from investments, with the fall partly offset by a reduction in the average cost of financial debt.

As far as the Company's results for the first quarter of 2016 are concerned, the reduction in RAB return rates, introduced by the Authority from 1 January 2016 (see Paragraph 3.5) caused a fall of approximately 4% in total revenues, due mainly to a 5% decrease in regulated revenues compared with the figure recorded for the first quarter of 2015 (€249 million compared with €262 million)[11]. In terms of operating margins, in the first quarter of 2016, the Company made an operating profit of €98 million which, in addition to the above-mentioned reduction in regulated revenues, reflects greater operating costs (+€15 million).

[8] The increase is essentially due to the increase (i) in costs related to regulated activities of €14 million (due to lower capitalisation related to the reduction in investments and the increasing weighting of activities aimed at remote meter reading, featuring a greater impact of external costs compared with the activities of replacing traditional meters which took place until the previous year, partly offset by a reduction in other costs) and (ii) costs relating to unregulated activities of €11 million.

[9] Amortisation, depreciation and write downs increased by €28 million, equal to 11.4%, compared with 2014. The increase is due mainly to the consolidation of AES Torino (6 months in 2014) for +€18 million and Acam Gas for +€3 million.

[10] The income items classified as special items in 2015 involve (i) the estimate, made on an actuarial basis, of expenses for employers resulting from the abolition, from 1 December 2015, of the Gas Fund pursuant with Law 125 of 6 August 2015 (€40 million; €27 million net of the tax effect) and (ii) income resulting from the adjustment of deferred tax resulting from the reduction, from 1 January 2017 of the IRES rate from 27.5% to 24% (€22 million), as set out in Law 208/2015 – Stability Law of 2016, containing "Measures for the formation of the annual and multi-year government budgets, which was published in the Official Gazette of 30 December 2015 and came into force on 1 January 2016.

[11] Following lower revenues for the natural gas distribution service (-€13 million), attributable to the reduction in the return on net invested capital for regulatory purposes (-€11 million) and the failure of the Authority to provide incentives for investments to replace the cast iron piping in previous years (-€6 million); these effects were partly offset by Acam Gas joining the scope of consolidation (+€4 million).

Table 3 shows the financial position of the Company at the end of 2013, 2014 and 2015 and at 31 March 2016.

Table 3: consolidated financial position[12]

Consolidated Statement of financial position (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Fixed capital	**4,385**	**4,650**	**4,761**	**4%**	**4,790**
Property, plant and equipment	*209*	*226*	*230*	*5%*	*228*
Intangible assets	*3,936*	*4,284*	*4,472*	*7%*	*4,471*
Equity investments	*335*	*224*	*169*	*(29%)*	*174*
Net payables for investments	*(95)*	*(84)*	*(110)*	*8%*	*(83)*
Net working capital	**(306)**	**(211)**	**(90)**	**(46%)**	**(172)**
Trade receivables	*358*	*402*	*456*	*13%*	*495*
Inventories	*11*	*15*	*19*	*31%*	*21*
Trade payables	*(116)*	*(163)*	*(133)*	*7%*	*(192)*
Provisions for risks and charges	*(219)*	*(211)*	*(192)*	*(6%)*	*(200)*
Liabilities for deferred taxes	*(305)*	*(217)*	*(159)*	*(28%)*	*(149)*
Other assets and liabilities	*(35)*	*(37)*	*(81)*	*52%*	*(147)*
Provisions for employee benefits	(76)	(87)	(116)	*24%*	(115)
Assets held for sale and directly related liabilities	16	16	17	*3%*	18
Net Invested Capital	**4,019**	**4,368**	**4,572**	**7%**	**4,521**
Shareholders' equity (including minority interests)	2,355	2,596	2,724	*8%*	2,786
attributable to the group	*2,354*	*2,595*	*2,723*	*8%*	*2,785*
attributable to minority interests	*1*	*1*	*1*	*0%*	*1*
Net financial debt	1,664	1,772	1,848	*5%*	1,735
Coverage	**4,019**	**4,368**	**4,572**	**7%**	**4,521**

At 31 December 2015, net invested capital stood at €4,572 million, an increase of approximately €204 million compared with 2014. Specifically, a significant increase in fixed capital was recorded in 2015 as a result of the consolidation of Acam Gas' fixed assets, an increase partly offset by a reduction in investments (equal to €55 million and mainly due to the full consolidation of Acam Gas) and an increase in net debts for investing activities (of €26 million). Specifically, note that intangible assets mainly refer to service concession agreements (€4,361 million in 2015) and that in 2015 the item equity investments was mainly made up of the shareholding owned by the Company in Toscana Energia (for approximately €167 million, equal to a stake of 48.08%) and a residual amount from the shareholdings owned in Umbria

[12] The data for 2015 include Acam Gas S.p.A. fully consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A., with effect from 1 January 2015, previously valued at the shareholders' equity. With reference to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects are observed, respectively in all of 2015 and in six months in 2014.

Distribuzione Gas (for approximately €1 million, equal to a stake of 45%) and Metano Sant'Angelo Lodigiano (for approximately €1 million, equal to a stake of 50%).

With reference to net working capital, in 2015 the Company recorded an increase of €121 million compared with 2014. These dynamics were mainly affected by (i) an increase in trade receivables (mainly relating to gas transmission services and ancillary services to ENI S.p.A., receivables from third-party customers and receivables from the CSEA (Energy and Environmental Services Fund) relating to equalisation[13]), (ii) a decrease in the Company's exposure to suppliers (mainly as a result of payments deferred from 2014 to 2015) and (iii) a reduction in the deferred tax fund, caused by the abolition, from 1 January 2015, of additional IRES the "Robin Hood Tax") and the planned reduction of the IRES rate from 27.5% to 24% based on the 2016 Stability Law.

Assets held for sale and liabilities directly associated with them mainly involve the property in Via Ostiense in Rome for which the sale to Eni S.p.A. was approved.

At 31 December 2015, net financial debt totalled €1,848 million (which breaks down as €1,441 million from long-term financial liabilities provided by Snam, €409 million for the use of lines of credit with the parent company Snam and €2 million of cash and cash equivalents), an increase of €76 million compared with the previous year as a result of the distribution of earnings relating to previous years of €214 million.

The long-term loan granted by the parent company Snam to Italgas comes under the scope of the centralised management of the group's financial resources. Specifically, part of this loan was supplied by Snam to Italgas in view of the issuing by Snam of a bond loan for a total of €994 million. The inter-company loan agreement between Snam and Italgas requires the latter, in the case of a change of control (in other words Snam losing control of Italgas), repaying the loan early to Snam. The repayment value of this loan will be equal to the accounting balance increased by the mark-to-market of the bonds issued by Snam for the purpose of the loan to its

[13] Mechanism according to which payables to/receivables from the CSEA are recorded, the differences between how much is invoiced to retail companies and the revenue limit defined by the Authority

subsidiary. Following the separation of ownership transaction involving Italgas and Snam, ITG Holding will refinance Italgas' exposure with regard to Snam.

Lastly, as far as the financial position at 31 March 2016 is concerned, there was a slight reduction in net invested capital compared with 31 December 2015 (-€51 million), mainly as a result of the lower exposure of working capital.

On the same date, the net financial position of the Company (equal to €1,735 million) showed an improvement of €113 million as a result of cash generation in the first quarter of the financial year, and breaks down into €1,426 million long term loans from Snam, €310 million in a treasury arrangement and €1 million in cash and cash equivalents.

Lastly, with regard to the technical investments made by the Company in 2015, these totalled €393 million, an increase compared with the annual figure recorded in the two-year period 2013 - 2014; in the last financial year the Company made - among other things - over €130 million in investments in gas metering services (remote reading) and approximately €200 million in investments in the network (mainly in development and maintenance activities).

The breakdown of technical investments for the years 2013, 2014 and 2015 and at 31 March 2016 is given below (Table 4).

Table 4: technical investments

Technical investments (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Distribution	**239**	**231**	**199**	*(9%)*	**40**
Network maintenance and development	187	180	169	*(5%)*	18
Replacement of cast-iron pipes	52	51	30	*(24%)*	22
Metering	**83**	**88**	**134**	*27%*	**22**
Development	9	8	-	*n.s.*	-
Maintenance	59	41	2	*(80%)*	-
Remote reading	15	39	131	*196%*	22
Other investments	**36**	**40**	**60**	*29%*	**8**
Total investments	**358**	**359**	**393**	*5%*	**70**

In view of the investments made in the three-year period 2013-2015, in this period the Company's RAB (including the transfer of its subsidiaries and investee companies) remained steady at around €5.8 billion, with a D/(RAB + Associates) ratio equal to approximately 30% (average figure for 2013-2015). At a consolidated level, in 2015, approximately 90% of the RAB referred to the distribution service while 10% referred to the metering service. At corporate level note that approximately 90% of the RAB (at consolidated level) is attributable to Italgas, and that approximately 94% of the Equity RAB Associates pertains to Toscana Energia.

Table 5: Regulatory Asset Base (RAB) and main indicators

RAB (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15
RAB (consolidated)	**5,200**	**5,566**	**5,655**	*4%*
RAB distribution	*4,694*	*5,016*	*5,062*	*4%*
RAB metering	*506*	*550*	*593*	*8%*
RAB (consolidated)	**5,200**	**5,566**	**5,655**	*4%*
Italgas (including AES Torino from 2014)	*4,704*	*5,065*	*5,047*	*4%*
Napoletanagas	*496*	*501*	*507*	*1%*
Acam Gas	*-*	*-*	*101*	*n.s.*
Equity RAB Associates	**545**	**271**	**222**	*(36%)*
Toscana Energia	*221*	*206*	*209*	*(3%)*
AES Torino	*257*	*-*	*-*	*n.s.*
Acam Gas	*49*	*49*	*-*	*n.s.*
Others	*18*	*16*	*13*	*(15%)*
RAB + Equity RAB Associates	**5,745**	**5,837**	**5,877**	*1%*
D/RAB+Associates	**29.0%**	**30.4%**	**31.4%**	
EBIT/RAB (consol.)	**9.7%**	**8.6%**	**8.3%**	
EBIT adj./RAB (consol.)	**9.9%**	**8.6%**	**9.0%**	

3.8 Italgas' business plan

This section describes the main guidelines of the draft prospectus and draft presentation of the Italgas 2016-2020 business plan (and extensions to 2022) prepared by management under the scope of the Company's financial plan of action and announced, respectively, on 17 June 2016 and 10 June 2016 (the "Plan").

Management prepared the Plan projections on the basis of the following:

(i) the projected development of the tender plan and related investment plan;

(ii) the economic and financial effects of the re-leverage transaction under the scope of the reorganisation of the parent company Snam aimed at the ownership separation of Italgas from the latter.

With regard to the timetable of the tenders for awarding the concessions, the Plan requires the Company to consolidate its current leadership position in the market, gradually increasing its market share.

The tender award projections within the Plan are the main drivers for the total spending plan in terms of investments. The time adjustment of this expenditure was prepared by management in line with the ATEM award timetable.

With regard to the dynamics of projected investments in the time frame of the Plan, management envisages an alignment between the Residual Industrial Values(VIR) during the repayment and the related RAB values.

Also note that after the explicit period of the Plan (and specifically in 2024) the concession relating to the Municipality of Rome, obtained in 2012, will expire.

This concession features a different contractual framework compared with the other concessions included in the Italgas portfolio; specifically, when this concession expires, the agreements between Italgas and the Municipality of Rome require that - in the case of renewal - the latter pays the Company the Residual Industrial Value (equal to €300 million) in view of the acquisition of the concession by the incoming operator in the tender.

With regard to this concession, also based on discussions with the management of the Company, the following theories can reasonably be formulated:

- the renewal of the expiry of the concession to Italgas by the Municipality of Rome, coming under the concessions of "key interest" to Italgas (this assumption, in particular, is consistent with maintaining the working cash flows projected in the Plan, which includes the flows relating to the Rome concession);

- the establishment by the Municipality of Rome of the tender value of the concession in line with the RAB value in 2024 (estimated by the Company at approximately €680 million), also taking into consideration the fact that - based on the regulations in force - the contracting entities are bound to indicate a value in the call for tenders in line with that granted for tariff purposes;
- the valuation of all investments made under the scope of the Rome concession, excluding those that can be allocated free of charge made by the Company in the three-year period 2013-2015 (equal to approximately €135 million[14]), in equal measure both in terms of Residual Industrial Value and in terms of RAB, no misalignment between these two magnitudes having been verified.

Based on the assumptions described above, it is possible to assume that - if the Municipality of Rome concession is renewed in 2024 - the outlay that the Company will incur in these circumstances will be equal to the differential between (i) the value of the RAB at that date recognised by the Company to the Municipality of Rome (€680 million) and (ii) the repayment value (Residual Industrial Value) paid by the latter to Italgas (€300 million), increased by the share of investments that can be devolved, free of charge, to the Municipality of Rome (€135 million). As a result, the total outlay that Italgas will presumably have to make in the case of the envisaged renewal of the Rome concession in 2024 is estimated at €515 million.

As indicated, the Plan was prepared by management both on the basis of the anticipated development of the tender plan - which is directly reflected in the projections for regulated economic margins and invested capital - and based on the impacts resulting from the Italgas re-leverage operation.

[14] contractually determined as 50% of investments made in the three-year period 2013-2015, equal in total to €270 million

With regard to this specific aspect, the Plan envisages the issuing by ITG Holding in favour of Snam of an inter-company debit note for €1.5 billion, in the light of the acquisition of the 38.87% stakeholding in Italgas.

Lastly, as already observed, the conclusions that this Opinion reaches are formulated on the assumption that the results in the Italgas 2016-2020 business plan draft presentation announced on 10 June 2016 and those contained in the Italgas 2016-2020 business plan announced on 17 June 2016, correspond to those in the Italgas 2016-2020 Italgas business plan approved by the Company's Board of Directors on 21 June 2016, according to the statement issued by the Company on 21 June 2016.

4. The company's evaluation criteria in theory and in practice

The company's evaluation methods depend on the Company's different characteristics under analysis, the type of activity conducted and the sector in which it operates. The main methodologies developed by the guidelines and in use in professional practice include the following methods:

- Capital
- Income
- Mixed Capital - Income
- Financial
- Market multiples

The paragraphs that follow provide a summary description of the methods indicated above.

4.1 Capital methods

Capital methods are based on the analytical evaluation of the individual asset and liability items that make up the company capital through their re-expression at current values and include the "simple capital" method and the "complex capital" methods depending on whether the value of tangible assets only or also those of intangible production items not recorded in the financial statements is estimated.

i) The simple capital method

Based on this method, the value of the company is calculated depending on its shareholders' equity book value revalued through the application of adjustments to the values of the assets and liabilities based on the following formula:

$$W = K$$

where the terms of the relationship represent the following data:

- W = Economic value of the company
- K = Shareholders' equity adjusted to current values

The calculation basis for the estimate of the value is the Shareholders' Equity in the Financial Statements expressed by an accounting capital statement, including the earnings of the latest financial year and those set aside in previous financial years, with the exclusion of the amounts for which the distribution in the form of dividends has been or is about to be decided.

The capital method includes the calculation of the current value of non-monetary asset items (technical fixed assets, equity investments, stock). The differences between current values and respective book values generate a series of capital gains or capital losses.

Once the adjustments have been made, a corrective factor must be introduced in order to take into account any hidden taxes on the higher values confirmed.

The final result of the simple capital valuation is equal to the company's shareholders' equity book value, adjusted by the higher values described above, net of any tax effect.

The simple capital method is used in practice for the valuation of companies where the capital is made up of items with an independent and separate economic value, such as property companies and diversified financial holding companies (for which the valuation based on the group consolidated results is of little significance).

ii) The complex capital method (1st or 2nd degree)

The complex capital method, with the independent valuation of intangible assets and/or company goodwill, calculates the value of the company as the sum of the shareholders' equity adjusted through the simple criterion (K) and the value of intangible fixed assets not accounted for.

The definition of first degree refers to the complex capital method aimed at calculating the value of intangible assets where an independent valuation is possible (for example, trademarks, patents and licences), while second degree refers to the complex capital method that assigns a

value to intangible assets that cannot be valued separately under the scope of a general concept of goodwill (corporate image, customer portfolio, talent of managers, etc.).

To sum up, the calculation process is implemented based on the following formula:

$$W = K + I$$

where:

- W = Value of the economic capital
- K = Value of the shareholders' equity adjusted through the simple method
- I = Total market value of intangible components

4.2 Income methods

The income type valuations are based on the concept according to which the value of the economic capital (W) depends on the net income (R) that the company is expected to be capable of sustainably generating in the future according to a relationship of the following type:

$$W = f(R)$$

The valuation formula assumes a different structure according to whether the income is assumed to be indefinite or limited over a period of time.

In the former case the value of the economic capital is represented by the current value of a perpetual return of an amount equal to the net income (R), in other words:

$$W = R/i$$

where (W) is the value of the company, (R) the normalised net income of the company and (i) the discount rate, which represents the expected return rate for the risk capital.

In the latter case, the value of the economic capital is represented by the current value of a return of an amount equal to the net income (R) which lasts (n) years and is discounted at the rate (i) which, similar to the case outlined above, corresponds to the expected return rate for the

risk capital. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = R \times a_{n\neg i}$$

The use of these formulae requires an analysis of the following problems:

- the extent of net income (R) to use, in other words whether to refer to historical values, projections of historical data, or to projected results expressed in company plans. In addition it is necessary to identify the elements to include or exclude from net income in order to consider net income "normalised" (i.e. net income that does not take into consideration elements of characteristic and/or extraordinary management which are not significant because they cannot be repeated over the years);
- the number of years (n) in which net income is considered, or whether to refer to a limited or unlimited period of time;
- the calculation of the discount rate (i) which expresses the return required by an owner of risk capital (Ke) for an investment in the business being valued, determined according to a methodology known as CAPM (i.e. “Capital Asset Pricing Model”) and which is based on the following formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

where the elements of the relationship represent the following data:

- Rf = Return rate of medium-/long-term government bonds
- β = Risk coefficient of the sector in which the company subject to valuation operates, determined as a decline in the performance of companies in the sector in relation to the market, including the effect of theoretical financial structure (i.e. Financial Lever)
- E(RM) = Average return of shares (where [E(RM) – RF] expresses the premium for the market risk)

- RS = Additional Specific Risk of the company subject to valuation

4.3 Mixed capital - income methods

The mixed capital-income methods stem from the need to limit the weighting of valuations of a subjective nature and the need to adequately evaluate not only the prospective capacity of the company to generate wealth in income terms, but also its capital consistency. The most extensively used method is the "U.E.C." (Union of European Accounting Experts), based on which the value of the economic capital results from the sum of the value of the adjusted shareholders' equity and the current value of the "excess income" or "insufficient income", understood as the difference between the assumed profitability of the company and that deemed consistent based on the capital used and the return rate required by a shareholder for an investment in the company subject to valuation. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = K + a_{n\neg i'} (R - iK)$$

where the terms of the relationship represent the following data:

- W = Value of the economic capital
- K = Adjusted shareholders' equity, calculated through the capital methods described previously.
- R = Expected normal net income, estimated according to the description in the income methods analysed previously
- i = Return rate, expressing the return rate required for an investment in the capital of the company subject to valuation
- i' = Discount rate of the excess/insufficient income, expressing the value of the time (and possibly the risk of the company subject to valuation)

- $a_{n\neg i'}$ = Sum for (n) years of discounted flows applying a discount rate equal to (i')

The above formula is also known in its (less used) version of unlimited capitalisation of excess income, with the replacement of the perpetuity component by the return factor:

$$W = K + (R - iK) / i'$$

The operation of the limited capitalisation formula (but also in part the unlimited capitalisation) tends in reality to undervalue the income component and give greater emphasis to the capital component. As a result, the mixed method is more significant for companies with high invested capital, while it is less so for companies with low invested capital and high profitability.

4.4 Financial methods

According to these methodologies the value of a company's economic capital is estimated through the discounting of cash flows expected to be generated in future. To sum up, the financial method aims to determine the following elements:

- The current value of cash flows produced by the operations of the company;
- The current value of the operating assets of the company at the end of the explicit projection period or the residual value (terminal value);
- The current value of non-strategic or instrumental assets at the reference date (surplus assets);
- The consistency of burdensome debts at the reference date.

Preparation for the use of financial methodologies is therefore preparation of a medium-/long-term economic-financial plan with a good degree of reliability and analysis.

There are various formulations of these methods according to the criteria adopted in the calculation of the financial flows used for the valuation. The most widely used method, known as the "Discounted Cash Flow" (i.e. the DCF), determines the value of the economic capital (so-

called Equity Value) through the difference between the value of the company (the Enterprise Value) and the value of the financial debt:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

$$W = Wo - D$$

Where the terms of the relationship represent the following data:

- W = Value of the economic capital (Equity Value)
- Wo = Value of the company excluding debt (Enterprise Value)
- D = Net Financial Debt
- CF (t) = Expected cash flows in the period (t)
- n = Duration of the forecast period of cash flows
- V(t) = Discount coefficient in the period (t)
- VT = Terminal Value, in other words the value of the company at the end of the period to which the cash flow forecasts refer

This method therefore requires the forecast cash flows (CF) in the reference time horizon (n), the necessary discount rate to calculate the discount coefficients (V) and the Terminal Value (VT) to be calculated.

As far as the calculation of the cash flows (CF) is concerned, it is necessary to refer to a forward-looking economic-capital plan which is comprehensive and enables the calculation of the cash flow generated in each period.

As far as the Terminal Value (VT) is concerned, it is calculated using the perpetual or fixed-term capitalisation formula for the cash flow generated by the company in the period (n+1) discounted at the reference time of the valuation.

Lastly, as far as the calculation of the discount rate, commonly known as the WACC and expressing the financial structure of the company and the cost of financial resources, both debt and own capital, is concerned, the following formula is used:

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

Where the terms of the relationship represent the following data:

- kd = Cost of third-party funds
- Ke = Cost of own funds
- t = Tax rate
- D = Value of third-party funds
- E = Value of own funds

Specifically, the cost of own funds (Ke) is calculated using the CAPM method described previously.

The financial methodology is universally recognised as the one scientifically superior to all the others; it is the one most widely used in Anglo-Saxon corporate practice and it is being increasingly adopted in Italian practice.

The only problem with this criterion involves the necessary availability and reliability of the medium-/long-term economic-financial plans.

4.5 The method based on market multiples

This evaluation methodology determines the market price of a company (and therefore theoretically not the value of the economic capital, even if the two values tend to coincide for listed companies) taking a sample of listed companies operating in the same sector and with similar characteristics to the company subject to valuation as a reference. In the event of market excellence, the prices of listed companies reflect the expectations of operators regarding corporate capacity to generate wealth.

The method therefore consists of identifying the variables that the market believes to be strictly related to the market capitalisation of the listed company and in the subsequent parameterisation of the market capitalisation of the company listed at the value of these variables. The variables normally used are: turnover, EBITDA and operating income, also known as EBIT. In particular:

- The Enterprise Value/Turnover multiple is believed to express the value of the company if the turnover is considered by the market to express the value of the company and therefore an important parameter in establishing the competitive market position and the income prospects;
- The Enterprise Value/EBITDA multiple determines the value of the company based on a company profitability parameter not affected by financial statement policies and, specifically by amortisation/depreciation policies and/or by the presence of goodwill and/or by the different consistency of depreciated assets;
- The Enterprise Value/EBIT multiple determines the value of the company based on a company profitability parameter increasingly affected by financial statement policies such as those relating to amortisation/depreciation and/or the consistency of depreciated assets;

After having verified the existence of comparable companies, carefully and using the necessary approximations, the value of the economic capital of the company subject to estimation is calculated using the following relationship:

$$W = (M \times X) - D$$

Where the terms of the relationship represent the following data:

- M = Enterprise Value/Variable ratio of the comparable companies
- X = Turnover, EBITDA, EBIT of the company subject to valuation
- D = Net financial debt

The most critical aspect of this method consists of identifying comparable companies which must be selected finding elements of homogeneity in terms of the sectors to which they belong, characteristics of the competitive scope, product system offered, financial risks, performance of historical and prospective results, reputation status, etc.

5. The selection of valuation criteria and the results of their application

Taking into consideration the analyses conducted in the previous paragraphs with regard to the different valuation methodologies and the documents available, it is believed that the valuation of the Company should continue through the application of two methods: (i) the financial method (and, specifically the Discounted Cash Flow method) and (ii) the Sum of the Parts method ("SOP"), described respectively in paragraphs 5.1 and 5.2.

General policies and international practice attribute increasing significance to financial type methodologies under the scope of the valuation of operating companies, on the assumption that the value of the business is determined on the basis of the capacity of same to generate cash flows, rather than income.

The financial methods are therefore preferred to the income method, as well as because the latter is often influenced by various accounting techniques, which involve estimated valuations (amortisation and depreciation and provisions) and therefore "pollute" the income results, also because, in the case in question, the impact of investments (both technical and financial) makes the correct identification of normalised income rather difficult.

In the DCF version, the financial method puts forward the following typical principles:

- it enables an appreciation of the company's prospective capacity to generate cash flows;
- it is generally preferable where a multi-year plan which is sufficiently reliable to estimate multi-year financial flows is available;
- it takes into account both the return time and the risk of the investment in a time horizon that can be more or less wide-ranging.

In order to obtain greater confidence with regard to the results expressed by the application of the financial method, as previously stated a second valuation method was used, namely the SOP method which is reflected in the valuation practice under the scope of companies operating in regulated sectors. This method consists of the sum of the individual valuations that

can be assigned to each group company or business areas understood as economic entities susceptible to independent valuation. The valuation is conducted applying the valuation method deemed most appropriate to each company or business unit.

With regard to the case in question, it was not, however, deemed appropriate to use the market multiples method because the impossibility of identifying listed companies comparable to Italgas (in terms of sector of operations, regulatory WACC, duration of the concessions portfolio) means that it would have a limited impact.

5.1 Application of the DCF method

The economic value of the company in question was estimated based on the following valuation formula:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

where the parameters have the meaning described previously. Note that the operating cash flows are discounted in the event that they are formed uniformly over the space of each financial year.

The criteria adopted for the estimation of the parameters in the valuation formula are described below.

a) Calculation of operating cash flows

The cash flows for the period April 2016 - December 2016 and the financial years 2017-2022 are given in Table 6 below.

When calculating the operating cash flow net of tax the notional taxes on EBIT, estimated as the extent of (i) 24% of operating income for IRES (from 2017) and (ii) 3.9% of the taxable amount of IRAP were taken into account.

Table 6: operating cash flows

Operating cash flow (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO	79	(43)	0	(13)	(50)	(538)	212
FCFO 31/03/2016	(118)	-	-	-	-	-	-
FCFO Adj.	(39)	(43)	0	(13)	(50)	(538)	212

Moreover, in order to estimate correctly the operating cash flow for the period April 2016 - December 2016, the part related to the period January 2016 - March 2016 was deleted from the 2016 annual cash flow.

b) Estimate of the weighted average capital cost (WACC)

The reference rate for discounting of unlevered cash flows, intended for remuneration of both holders of credit capital and holders of venture capital, is the weighted average cost of the venture and debt capital (WACC):

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

The cost of venture capital was determined, as mentioned above, using the Capital Asset Pricing Model (CAPM) formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

For the purposes of Italgas evaluation, the following parameters were used:

- The risk free rate (Rf), or the yield expected in the long run for no-risk investments, was assumed to be equal to 0.45%, in line with the 6-month mean of 15-year German State Bonds (Bund), as of 20 June 2016 (source: *Bloomberg*). The temporal horizon of reference for the observation of the risk free rate reflects the duration of Italgas concession portfolio adopted in the Plan (approximately 15 years from the date of this Opinion, versus a residual duration of 8-9 years as of 2022).
- The market risk premium ([E(RM) – Rf]) was assumed to be 8.8%, in line with the last measurements available for the Italian market (source: *Damodaran*, January 2016);
- The coefficient β (*levered)* was assumed to be equal to 0.7, in line with the value indicated

by the Authority for the determination of currently applicable regulatory WACC;

- The risk-specific (RS) premium was assumed to be equal to 2.0%, according to various aleatory factors that could affect the actual achieving of cash flows according to the Plan, such as:
  - (i) a potential revision of current rate levels by the Authority (whose medium-long term evolution cannot be predicted today);
  - (ii) A different modulation of the tender plan in the upcoming years; and
  - (iii) A different percentage of contract awarding of the Company (this last element, in particular, could lead to a significant revision compared to the Plan's projections, both for the investments made in the period 2016-2022 and for the Company profitability level in the long run).

With various weighted factors, the cost of own capital (Ke) is 8.6%.

On the other hand, the cost of long term debt capital (Kd) was assumed to be equal to approx. 2.4%, in line with the Company's long-term mean debt cost.

Finally, the debt ratio D/E (gearing) was assumed to be equal to 0.5, reflecting the long-term financial structure of the Company, expressed in market value, where 'E" is the current economic value of Italgas.

The tax aliquot was assumed to be equal to the IRES aliquot (24%).

In view of this, the mean weighted cost of Italgas capital used for the purposes of discounting unlevered operating cash flows is equal to 5.2% (Table 7).

Table 7: determination of the weighted mean cost of Italgas capital

WACC	
Rf	0.45%
Beta	0.7
ERP	8.8%
Specific risk	2.0%
Ke	**8.6%**
Kd	2.4%
t (Ires)	24.0%
Kd*(1-t)	**1.8%**
D/(D+E)	**0.5**
WACC	**5.2%**

c) Estimate of the "Terminal Value"

The estimate of the value of the Company for the years after 2022 (so-called "Terminal Value") was obtained using the following evaluation algorithm:

$$W = \frac{CF_n(1+g)}{(i-g)}(1+i)^{-n}$$

where i represents the already known discount rate (WACC), to which no corrections have been applied for the determination and discounting of the Terminal Value.

The normal expected mean cash flow (CFn) was estimated assuming a long-term growth of 1.5% (g). The other items of the income statement, assets and liabilities were obtained assuming that the Company would reach the terminal activity level at the end of 2022; Table 8 reports the estimate of the expected normal mean cash flow, estimated at approx. €330 million, and the Terminal Value, calculated using the formula described above, or by capitalisation of the expected normal mean cash flow at a rate equal to the difference (WACC – g), where WACC is equal to the above-mentioned rate:

Table 8: Calculation of the Terminal Value

Terminal Value (€ million)	
$FCFO_{TV}$	331
WACC	5.2%
g	1.5%
Discount rate	72.8%
Terminal Value (31/03/2016)	6,488

d) Application of the Discounted Cash Flow

The Italgas Enterprise Value was estimated by applying the DCF method. In detail, the "explicit" operating cash flows represented in Table 9 are discounted by applying the WACC rate, as indicated in Table 7:

Table 9: *discounted* FCFO

DCF Model (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO Adj.	(39)	(43)	0	(13)	(50)	(538)	212
Discount rate	98.1%	93.8%	89.2%	84.8%	80.6%	76.6%	72.8%
Discounted FCFO Italgas	(38)	(40)	0	(11)	(40)	(412)	155
∑ Discounted FCFO Italgas (31/03/2016)	(387)						

Then we calculated the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 (as described in Paragraph 3.8 of this Opinion). This disbursement, estimated at €515 million in 2024, was discounted with application of the WACC rate, determining this way a current negative value of €339 million.

Finally, the Italgas Enterprise Value was calculated as an algebraic sum of discounted "explicit" operating cash flows, the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 and the Terminal Value, as shown below in Table 10.

Table 10: Calculation of Italgas Enterprise Value

Enterprise Value €mln	
∑ Discounted FCFO Italgas (31/03/2016)	(387)
Present value esbursement renewal Rome concession 2024	(339)
Terminal Value (31/03/2016)	6,488
Enterprise Value Italgas (31/03/2016)	5,762

To sum up:

- Based on 2016-2022 forecasts provided by the management;
- Considering an expected flow discounting rate for the period of analytic projection of 5.2%;
- Considering the hypotheses adopted for the purposes of estimation of the cash flow for the period after 2022 and the expected long-term growth rate,

We obtained the Company's Enterprise Value of €5,762 million.

In order to determine the Company's Equity Value, we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March 2016, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield[15], amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 March 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

[15] The Mark to Market value as of 31 March 2016 is approximately €116 million. For the calculation of the tax shield we considered the IRES aliquot of 27.5%, since the disbursement is planned by the end of 2016

Table 11: Calculation of Italgas Equity Value

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	5,762
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	222
Minorities Italgas (31/03/2016)	(1)
Italgas Net financial debt (31/03/2016)	(1,735)
MtM debt Snam - Italgas (31/03/2016)	(84)
2015 Italgas not distributed dividends	(275)
2015 investee not distributed dividends	14
Equity Value Italgas (31/03/2016)	3,903
Equity RAB (cons.)+Equity RAB Ass.	3,797
Shareholders' equity 31/03/2016 Italgas	2,785
Equity Value - shareholders' equity premium (discount)	*40.1%*
Italgas ordinary shares (number)	252,263,314
Italgas Equity Value (31/03/2016)	3,903
Italgas Equity Value per share (€)	15.5

The Company's Equity Value determined this way is equal to €3,903 million (equal to €15.5 per share).

The analyses described above show that the economic value of Italgas determined by application of the DCF method can be fully attributed to positive cash flows expected to be generated beyond the explicit horizon of projections 2016-2022. These cash flows, significantly influenced by long-term economic and financial forecasts, are by definition aleatory.

Therefore, for evaluation purposes it is good to keep in mind the main assumptions regarding the expected long-term cash generation capacity of the Company, such as:

- Completion of the tender plan by 2022 for assigning of concessions, at the end of which the Company expects to increase its market share;
- Maintaining of the current tariff levels for the entire horizon of the Plan. In particular, the Company does not expect any revision of RAB remuneration rates, neither at the beginning of the second Sub-Period of the Fourth Regulatory Period (2019) nor at the beginning of the Fifth Regulatory Period (2022).

In particular, the hypothesis of strengthening of the competitive positioning on the market expected by the Company over the Plan's duration reflects not only the development dynamics

of existing activities, but also new growth opportunities, directly correlated to the management's expectations regarding awarding of tenders for obtaining concessions.

Also in view of this consideration, we performed a sensitivity analysis of the relation between the economic value of Italgas, determined by means of application of the DCF method and the main evaluation parameters adopted, represented by (i) the long-term growth rate (rate g) and (ii) the cash flow discounting rate (WACC).

Table 12: ***Sensitivity Analysis – Enterprise Value*** **in € million**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	5,310	5,728	6,205	6,756	7,397
5.1%	5,133	5,528	5,977	6,494	7,093
5.2%	4,964	5,338	5,762	6,248	6,809
5.3%	4,803	5,157	5,558	6,016	6,542
5.4%	4,650	4,986	5,366	5,797	6,292

Table 13: ***Sensitivity Analysis – Equity Value*** **in € million**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	3,451	3,869	4,346	4,897	5,538
5.1%	3,273	3,668	4,118	4,635	5,234
5.2%	3,104	3,478	3,903	4,389	4,950
5.3%	2,944	3,298	3,699	4,157	4,683
5.4%	2,790	3,127	3,506	3,938	4,432

Table 14: ***Sensitivity Analysis*** **– Italgas value per share**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	13.7	15.3	17.2	19.4	22.0
5.1%	13.0	14.5	16.3	18.4	20.7
5.2%	12.3	13.8	15.5	17.4	19.6
5.3%	11.7	13.1	14.7	16.5	18.6
5.4%	11.1	12.4	13.9	15.6	17.6

The sensitivity analysis shows that the estimate of the economic capital of the Company is highly correlated both with the WACC discounting rate and with the long-term growth rate:

this circumstance can be explained by the temporal distribution of the Company cash flows, which, as shown on the previous pages, involved reaching of positive operating cash flows only in 2022. In fact, in the Plan's years the execution of investments planned within the tender plan absorbs resources generated by the core business, but at the same time creates conditions for a stable operating cash flow generation in the long term. As it was said, this element is reflected in the Company's Terminal Value.

5.2 Application of the SOP method

The SOP method involves the evaluation of the company under analysis by adding individual evaluations attributable to each company of the group or business areas intended as economic entities that are subject to autonomous evaluation.

The evaluation is performed by applying the evaluation method considered to be the most appropriate to each company or business unit, determined in advance.

Considering the characteristics of the main business areas where the Company operates, the following methodologies were applied (Table 15):

Table 15: Evaluation methods applied (SOP)

Methodology applied	
EV Italgas Regulated activities	*RAB - 2015A-2016E weighted average* *Present value esbursement renewal Rome concession 2024*
EV Italgas Non regulated activities	*Discounted Cash Flow*

With special reference to the RAB method, it is among so-called "mixed" criteria, considering both the asset elements and the economic-financial flows and consists of assuming the recognised RAB value as the indicative value of the Enterprise Value of regulated activities. In fact, RAB represents the value of the net invested capital, constituting the basis for the calculation of operator's remuneration for the activities subject to regulation, for the determination of the reference revenue.

For the purposes of evaluation of the Company, the value of regulated activities was determined assuming as a reference the mean weighted value of RAB 2015A-2016E, determined from (i) the value of RAB at 31/12/2015 and (ii) the estimate of RAB 2016E prepared by the management. In particular, for the purposes of determination of a weighted mean of these two values, we made a hypothesis of linear progression of RAB development in 2016. This value was then corrected for the actual value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome (equal to €339 million, as described in Paragraph 5.1)

Therefore, the Enterprise Value of regulated activities is equal to €5,317 million, determined as an algebraic sum of the following components:

- RAB (weighted mean 2015A-2016E), equal to €5,656 million;
- The current value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome in 2024 (equal to €339 million).

This value was added to the Enterprise Value of non-regulated activities, equal to €58 million, determined by application of the DCF method assuming a cash flow discounting rate aligned with the previously estimated WACC (5.2%).

Therefore, the SOP method permits to establish an Enterprise Value of approximately €5,375 million.

In order to determine the Company's Equity Value, also in this case we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield, amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 march 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

The Company's Equity Value determined this way is equal to €3,516 million (equal to €13.9 per share), as represented below (Table 16).

Table 16: Calculation of Italgas Equity Value

Enterprise Value (€ million)	
EV Italgas Regulated activities	5,317
RAB - 2015A-2016E weighted average	*5,656*
Present value esbursement renewal Rome concession 2024	*(339)*
EV Italgas Non regulated activities	58
Enterprise Value Italgas (31/03/2016)	**5,375**

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	**5,375**
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	**222**
Minorities Italgas (31/03/2016)	**(1)**
Italgas Net financial debt (31/03/2016)	**(1,735)**
MtM debt Snam - Italgas (31/03/2016)	**(84)**
2015 Italgas not distributed dividends	**(275)**
2015 investee not distributed dividends	**14**
Equity Value Italgas (31/03/2016)	**3,516**
Equity RAB (cons.)+Equity RAB Ass.	**3,797**
Shareholders' equity 31/03/2016 Italgas	**2,785**
Equity Value - shareholders' equity premium (discount)	*26.3%*
Italgas ordinary shares (number)	**252,263,314**
Italgas Equity Value (31/03/2016)	**3,516**
Italgas Equity Value per share (€)	**13.9**

6. Update of evaluations as of 31 May 2016

Below is the summary of results of the application of the SOP and DCF methods with reference to the evaluation of Company's Equity Value.

Table 17: Summary of evaluations as of 31/03/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/03/2016)	**5,375**	**5,762**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/03/2016)	**3,516**	**3,903**
Equity RAB (cons.)+Equity RAB Ass.	3,797	3,797
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**13.9**	**15.5**

As indicated in Chapter 5 of this Opinion, this evaluation was performed - preliminarily - assuming as a reference the economic, asset and financial situation of the Company as of 31 March 2016 (to which the interim management report approved by the Company's Board of Directors on 9 May 2016 refers).

Then the evaluation was updated based on the results of the interim management report received by the Company on 17 June 2016. Below is the summary of evaluation results assuming as a reference the economic, asset and financial situation of the Company as of 31 May 2016.

Table 18: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

On 21 June 2016, the Company's Board of Directors approved the interim management of 31 May 2016, in the same version previously transmitted to us on 17 June 2016, as shown by the certification issued in this respect by the Company on 21 June 2016.

It is noted that following the update of economic-financial data of 31 May 2016, the evaluation of Equity Value of the Company does not show significant differences compared to that obtained using the economic, asset and financial situation of the Company as of 31 March 2016.

Therefore, for the purposes of this Opinion we used the Italgas Equity Values determined on the basis of the interim report of 31 May 2016.

7. Conclusions

Below is the summary of results obtained, with reference to 31 May 2016, from the application of the SOP and DCF methods for the evaluation of Company's Equity Value.

Table 19: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

As represented above, the application of SOP and DCF methods permits to identify a modest range of values (~6.3% in terms of Enterprise Value, ~9.3% in terms of Equity Value). Therefore, it appears reasonable to conclude that for the purposes, for which this estimate is prepared, it is possible to assume all the values included in the range defined by the minimal and maximal values corresponding respectively to the value resulting from the application of the SOP and DCF method, as represented in Table 20.

Table 20: value of Italgas stake being salered

Transfer (€ million)	SOP	DCF
Italgas Equity Value (31/05/2016)	3,585	3,935
Italgas ordinary shares (number)	252,263,314	252,263,314
Equity Value per share (€)	**14.2**	**15.6**
Transfer stake	**38.87%**	**38.87%**
Transfer ordinary shares (number)	**98,054,833**	**98,054,833**
Value of the stake being transferred	**1,393**	**1,530**

In view of the results and considerations presented, Colombo & Associati, pursuant to the provisions of Art. 2343-*bis* paragraph 2, of the Italian Civil Code, certifies that the value of the portion of capital represented by 98,054,833 ordinary shares being salered, corresponding to 38.87% of the Company's capital, is between €1,393 million and €1,530 million.

Milan, 24 June 2016

Paolo Andrea Colombo

Colombo & Associati - Chairman of the Board of Directors

Annex 11

Expert Report, requested by Snam on a voluntary basis, in order to estimate the effective value of the shareholders' equity assigned to the Beneficiary Company following the Demerger

The official text was published in Italian on 5 July 2016

Valuation report relating to the partial proportional demerger of the 52.90% stake in Italgas held by Snam to the beneficiary ITG Holding

24 June 2016

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1. Introduction

1.1 Subject of the engagement and purpose of the appraisal

On 13 May 2016, Colombo & Associati S.r.l., with registered office in Milan, Piazza dei Mercanti no. 11 ("**Colombo & Associati**" or "**C&A**"), received the engagement (the "**Engagement**") from Snam S.p.A. ("**Snam**" or the "**Customer**") to prepare a valuation report (the "**Opinion**") relating to a 52.90% stake in Italgas S.p.A. ("**Italgas**" or the "**Company**") concerning the partial proportional demerger by Snam in favour of the beneficiary ITG Holding S.p.A. ("**ITG Holding**") (the "**Demerger**"), within a broader industrial and corporate restructuring entailing the separation of ownership of Italgas from Snam (the "**Transaction**").

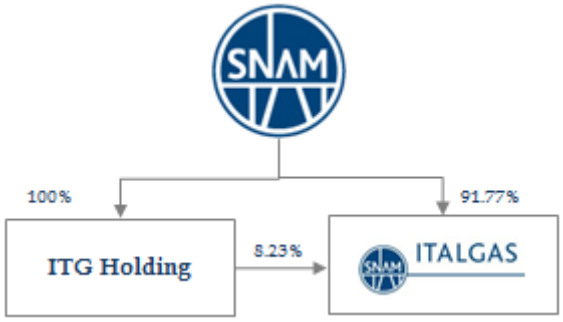
The Opinion therefore concerns first of all the determination of the value of all assets of the Company and, subsequently, the value attributable to the portion of share capital represented by the 133,442,832 ordinary shares with a nominal value of €1 each subject to the Demerger, corresponding to 52.90% of the share capital of the Company.

1.2 Description of the transaction

The Demerger is part of a broader, complex industrial and corporate restructuring aimed at the separation of ownership of Italgas from Snam through the following transactions:

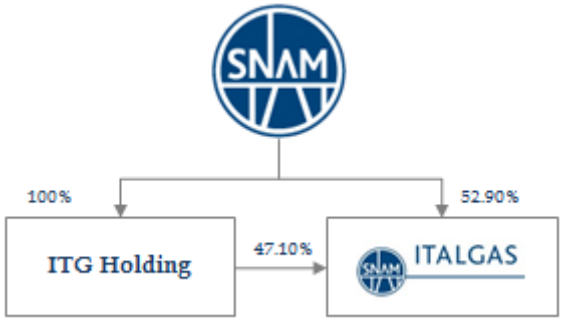
1) Transfer in kind by Snam to ITG Holding of an equity investment consisting of 20,765,649 shares, equal to 8.23% of the share capital of Italgas (Figure 1);

Figure 1: Transfer (8.23% Italgas)



2) Sale by Snam to ITG Holding of 98,054,833 shares of Italgas, representing 38.87% of its share capital, for the issue of a debit note in an amount equal to the value of the transaction in order to provide the saleee company with a level of financial debt consistent with its asset, risk and cash generation profile (Figure 2) (the "**Sale**").

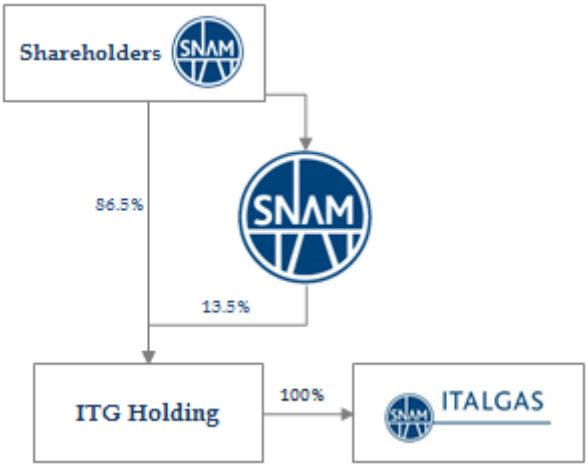
Figure 2: Sale (38.87% Italgas)



3) Partial and proportional Demerger of Snam with the assignment to ITG Holding of the spun-off assets consisting of a 52.90% stake in Italgas (133,442,832 Italgas shares) (Figure 3) (the "**Demerger**"). In particular, as a result of the Demerger, the shareholders of Snam will be assigned, without the payment of any valuable consideration, shares of the beneficiary company (ITG Holding) to an extent proportionate to those held by each in the spun-off company (Snam) at the time of the Demerger. The assignment will take place based on the ratio of one ordinary share of ITG Holding for every five Snam shares held. Following the assignment, the Snam shareholders will hold a total of 86.5% of the share capital of the beneficiary ITG Holding. There will be no adjustment in cash.

Both the spun-off company and the beneficiary company are subject to common control by Cassa Depositi e Prestiti, the relative majority and controlling shareholder of Snam with an equity investment of 30.1% at 20 June 2016. It is assumed that the Demerger is a "business combination involving entities or business under common control" and, as such, is not subject to the application of IFRS 3, on the assumption that Cassa Depositi e Prestiti will also confirm for ITG Holding the existence of control pursuant to IFRS 10 as takes place for Snam. As a result, the Demerger will take place with continuity of accounting values.

Figure 3: Demerger (52.90% Italgas)



The three transactions represent three elements which are formally distinct but part of a unitary plan, the individual phases of which have as a final result the sale of the controlling stake held by the spun-off company in Italgas in favour of the beneficiary company: upon completion of the Transaction, Snam will have salered the entire equity investment previously held in Italgas to the beneficiary company, which in turn will be held in the proportion of 86.5% by Snam shareholders and 13.5% by Snam itself.

The effectiveness of the Demerger, as well as the Sale and Transfer, is subject to the fulfilment of the following conditions:

1. the issue of the measure by Borsa Italiana for the admission to trading of the shares of ITG Holding on the electronic market (MTA);
2. the issue of the opinion of equivalence by Consob pursuant to Article 57, paragraph 1, letter d) of the Issuer Regulations in relation to the disclosure document prepared by the Company pursuant to Article 70 of the Issuer Regulations;
3. the approval of the Transaction by the Snam bondholders' meeting.

Based on the planned timing of the Transaction, subject to the fulfilment of these conditions, the Demerger will presumably become effective by the end of 2016.

1.3 Introductory considerations relating to the valuation

A necessary premise is constituted by the definition of certain fundamental concepts regarding corporate valuations, such as that of "value", in the dual configuration of general value and of subjective value, and that of "price".

The general value of a company's capital is that value which, under normal conditions, is deemed consistent by a hypothetical generic investor. This notion is distinguished from the concept of subjective acquisition value of a company, a value which is instead determined in light of the utility of the investment for a specific buyer.

The price, on the other hand, starting with the notion of value, also reflects contingent phenomena relating to the status of supply and demand, as well as the nature and characteristics of the contracting parties, their bargaining power and relevant aspects of the negotiation.

This premise is required as the value of a company cannot be considered an absolute, unambiguously calculable amount, but rather is a relative value, subject to the objective pursued through the valuation procedure.

As a result, the selection of a valuation methodology is functionally correlated with the purpose of the valuation.

The estimate of the value of a company's economic capital is based on the general principles of the theory of financial investments, according to which the value of any investment (category to which the company belongs) is functionally dependent on the extent of the expected profit flows, the balance sheet value of its assets and the rate of return of alternative investments with substantially zero risk, taking into account the degree of risk that can be associated with the company subject to the valuation. According to this approach, reference is made exclusively to the business conditions existing in the company subject to valuation, regardless of the effects of any actions that could be implemented by specific potential buyers.

In light of the foregoing, as well as the purposes for which the Opinion is prepared, it is therefore specified that the subject of this valuation is exclusively the determination of the general value of the economic capital of Italgas, irrespective of any subjective elements.

2. Reference date and documentation used

2.1 Reference date

The reference date for the valuation of the Company's economic value is that on which this Opinion is prepared. In particular, the valuation was carried out - on a preliminary basis - by taking as a reference the economic, capital and financial situation of the Company at 31 March 2016 (to which the interim directors' report approved by the Company's Board of Directors on 9 May 2016 refers). Subsequently, the valuation was updated on the basis of the results reflected in the interim directors' report at 31 May 2016 approved by the Company's Board of Directors on 21 June 2016.

Chapter 6 of this Opinion provides the results of the valuation of the Company's economic value at 31 March 2016 and 31 May 2016.

Considering that:

(a) the value of the Company's economic capital is almost exclusively ascribable to regulated activities which, by their nature, have no relevant fluctuations in value in the very short term;

(b) the most recent date of preparation of the Company's economic, capital and financial information is 31 May 2016 (to which the interim directors' report approved by the Company's Board of Directors on 21 June 2016 refers);

(c) from 31 May 2016 to the date of preparation of this opinion, as certified by the Company, no facts, events or circumstances have taken place which are such as to significantly influence the economic-capital results of Italgas.

the date of 31 May 2016 is suitable and reasonable to be assumed as a reference as the basis for the valuation of the Company's economic capital at the date on which this Opinion is prepared.

2.2 Documentation used

The following data and information were obtained and examined to complete the engagement assigned:

- the separate financial statements of Italgas S.p.A. at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated directors' report of Italgas at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the consolidated interim directors' report of Italgas at 31 March 2016 approved by the Company's Board of Directors on 9 May 2016;
- the draft consolidated directors' report of Italgas at 31 May 2016 transmitted by the Company on 14 June 2016 and 17 June 2016;
- the drafts of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the PowerPoint versions transmitted by the Company on 11 May 2016 and 10 June 2016;
- the drafts of the statements of the Italgas 2016-2020 business plan (and relative extensions to 2022) in the Excel versions transmitted by the Company on 16 May 2016, 20 May 2016, 13 June 2016 and 17 June 2016;
- the documentation prepared by the Company with reference (i) to the evolution of the regulatory framework regarding ATEM and tenders for the awarding of concessions and (ii) to the regulation of distribution tariffs;

The informational framework was completed by a series of news, reports and information in general, including forecasts, acquired directly through interviews with the company management, in addition to a series of information obtained on websites and from databases used for this reason. All documentation examined is filed in the records at the registered offices of Colombo & Associati.

In preparing this Opinion, Colombo & Associati assumed and relied on, without subjecting them to an independent verification, the accuracy and comprehensiveness of all information used including, by way of example but not limited to, all financial information and other information provided by the Company management.

Colombo & Associati relied on the fact that the consolidated directors' report of Italgas at 31 May 2016 and the Italgas 2016-2020 business plan approved by the Board of Directors on 21 June 2016 do not differ from the results set forth in the drafts of the consolidated directors' report at 31 May 2016 and in the statements of the Italgas 2016-2020 business plan transmitted by the Company on 17 June 2016, as shown in the certifications issued in this regard by the Company on 21 June 2016.

Colombo & Associati did not carry out any investigation or independent assessment as to the content of such information, reports or declarations and did not provide or obtain any specialised opinion that was, for example but not limited to, legal, accounting, actuarial, environmental, IT or fiscal in nature; as a result, this Opinion does not take into account the possible implications that any one of the above-mentioned types of analysis may have entailed.

In addition, the Opinion is necessarily based on the economic, monetary, market, legislative and regulatory conditions existing on today's date. Events that occur subsequent to the date of this Opinion may impact its conclusions as well as the assumptions upon which it is based. In particular, the future evolution of structural dynamics of the sector in which Italgas carries on business and the laws that govern it could influence the factors determining the value of the Company; in that case, Colombo & Associati shall have no obligation to update, amend or confirm this Opinion.

3. The company subject to valuation

3.1 Brief description of Italgas

Italgas, whose share capital consists of 252,263,314 ordinary shares with a nominal value of €1 each and is wholly owned by Snam, is a leader in Italy in the urban natural gas distribution sector. The distribution service consists of gas transport via local gas pipeline networks from delivery points to the metering and reduction stations connected with the transportation networks and then to the end-user redelivery points. Italgas also carries out metering activities, consisting of the determination, reporting, provision and archiving of metering data regarding natural gas withdrawn on the distribution networks.

The Company is regulated by the Electricity, Gas and Water Authority (the "Authority" or "AEEGSI"), which defines the methods for providing the service as well as the distribution and metering tariffs.

Gas distribution activities were traditionally carried out under concessions assigned on a municipal basis[1]. This activity is carried out by transporting the gas for the sales companies[2] authorised to market to end users.

[1] In 2011, four ministerial decrees were adopted to reform the regulations governing this sector. In particular, a dedicated decree established 177 multi-municipality minimum geographical areas (ATEMs) based on which the new concessions will necessarily need to be assigned.

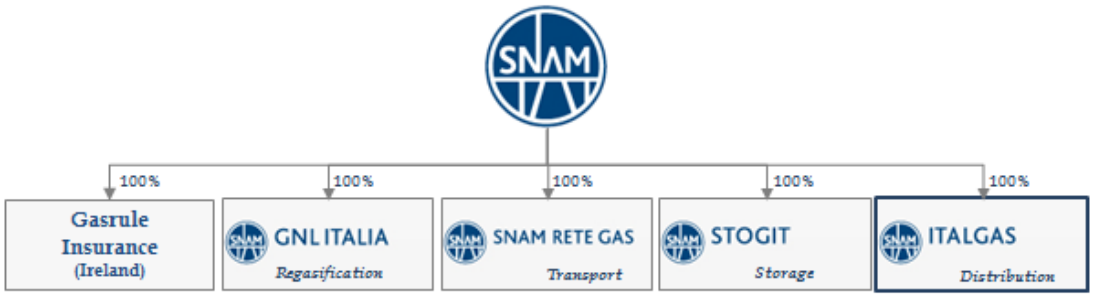
[2] The relationship between the distribution companies and the sales companies is defined by a dedicated document called the "Network Code" which specifies the services provided by the distributor, broken down between the main services (gas distribution service, technical distribution system management) and accessory services (installation of new plants, activation, deactivation, suspension and reactivation of the supply to end users, checking of metering units at the request of end users, etc.).

3.2 Corporate structure of Snam and Italgas

The Snam group, founded in 1941, employs more than 6,000 people and is active in the transport (through Snam Rete Gas), storage (through Stogit), regasification (through Gnl Italia) and urban distribution of natural gas (through Italgas).

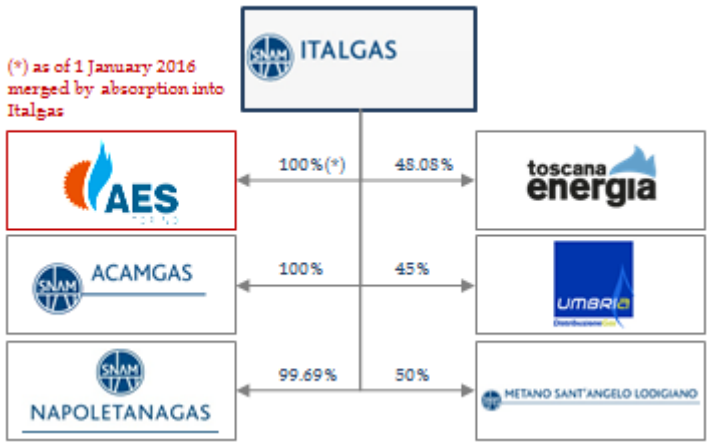
The corporate structure of the group controlled by Snam is shown below (Figure 4).

Figure 4: corporate structure of Snam



Italgas, established in 1837, was the first Italian company engaged in urban gas distribution. Italgas group as at 31 May, 2016 employs 3,325 people. The corporate structure of the group is shown below (Figure 5).

Figure 5: corporate structure of Italgas



Italgas also operates through its investees listed below:

- Acam Gas S.p.A. (Acam Gas) (100%), fully consolidated, was established in 2004 following the transfers by Acam S.p.A. and Italgas S.p.A. of the respective business units relating to gas distribution in the municipalities of the province of La Spezia. Following this transaction, the company was 49% held by Italgas and 51% by Acam; on 1 April 2015, Acam S.p.A. and Italgas S.p.A. entered into the deed of sale of the shares constituting 51% of the share capital of Acam Gas S.p.A. in favour of Italgas. The company currently distributes gas in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, serving 112,000 active redelivery points. The distribution network managed by the Company at 31 December 2015 covers 1,201 km;
- Azienda Energia e Servizi Torino S.p.A. (AES Torino[3]) (100%), fully consolidated, carries out gas distribution activities in the municipality of Turin. On 21 December 2015, the deed was entered into for the merger by absorption of the wholly-owned subsidiary AES Torino S.p.A. into its parent company Italgas S.p.A. effective as of 1 January 2016. The distribution network managed by the Company at 31 December 2015 covers 1,338 km, and there are 463,673 active redelivery points;
- Compagnia napoletana di illuminazione e scaldamento con gas S.p.A. (Napoletanagas) (99.69%), fully consolidated, holds concessions in 133 municipalities in the Region of Campania for the gas distribution service and in 5 municipalities for the drinking water service. The distribution network managed by the Company at 31 December 2015 covers 5,368 km, and there are 742,595 operational redelivery points;
- Toscana Energia S.p.A. (48.08%), operating as of 1 March 2007, was founded from the merger of Fiorentinagas and Toscana Gas. The company is a leader in the natural gas distribution sector in Tuscany; please note that at 31 December 2015, Toscana Energia

[3] On 1 January 2016, the wholly-owned subsidiary AES Torino was merged by absorption into its parent company Italgas S.p.A.

S.p.A. holds 100% of the share capital of the company Toscana Energia Green S.p.A. and 56.67% of the share capital of Toscogen S.p.A. (in liquidation);

- Umbria Distribuzione Gas S.p.A. (45%) manages the natural gas distribution service under concession in the municipality of Terni;
- Metano Sant'Angelo Lodigiano S.p.A. (50%) has been active since 1952 in the urban natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro in the district of Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

3.3 Infrastructures and territorial presence

Italgas, together with its subsidiaries Acam Gas and Napoletanagas, conducts its activities making use of an integrated system of infrastructures, which, to a large extent, it owns, comprising cabins for the collection of gas from the transportation network, pressure reduction plants, approximately 56,731 km of distribution networks and 6,527,058 operational redelivery points (at 31 March 2016), represented by demarcation points between the gas distribution plant and the internal plant of the end user where the gas meters are installed. In addition, on 31 March 2016, the Italgas group obtained the concession for the gas distribution service in 1,472 municipalities.

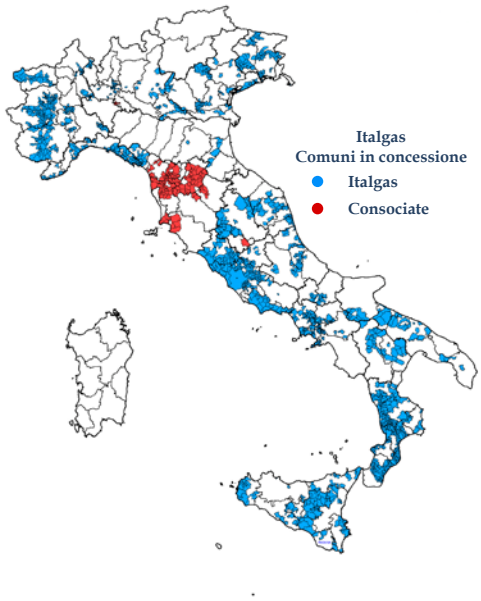
The main operating data for the Italgas group is illustrated below (Table 1) and the map for the municipal areas under the Italgas concession (Figure 6).

Table 1: Italgas group main operating data

Key operating figures	31/12/2013	31/12/2014	31/12/2015	31/03/2016
Concessions (number)	1,435	1,437	1,472	1,472
Active meters (nr.)	5,928,021	6,407,592	6,525,984	6,527,058
Distribution network (kilometres) (*)	52,993	55,278	56,717	56,731
Gas distribution (millions of cubic metres)	7,352	6,500	7,599	3,460
Employees in service (number)	3,008	3,124	3,298	3,324

(*) Kilometres of network managed by Italgas

Figure 6: map of Italgas concessions



At 31 March 2016 Italgas S.p.A. holds the concession for the gas distribution service in 1,310 municipalities (including the concession for the gas distribution service in the municipality of Turin, as a result of the merger by incorporation of AES Torino into Italgas). In addition, through its subsidiaries Acam Gas and Napoletana Gas, Italgas holds the concession for the gas distribution service in 28 municipalities in the province of La Spezia and 1 in the province of Massa Carrara, and in 133 municipalities in the Campania Region (as well as 5 municipalities for the drinking water service).

3.4 The relevant regulatory framework.

In recent years the natural gas sector has been subject to intense regulatory activity at a national and EU level in order to liberalise the sector with the main goal of creating a single European market. The regulatory process was launched by Directive 98/30/EC of 22 June 1998, implemented in Italy through Legislative Decree 164 of 23 May 2000 (the "Letta Decree"). This decree radically changed the gas industry in Italy: from a vertically integrated market fully concentrated as a monopoly under Eni, it moved to a free competitive market for the

production, procurement and sales stages and a regulated market for the gas transportation, storage and distribution stages, in other words for the parts of the industrial chain featuring natural monopoly conditions.

With special reference to the gas distribution sector, the Letta Decree required local authorities to award the natural gas distribution service through a public tender with bids for a period not exceeding twelve years.

The year 2004 saw the approval of Law 239/2004 (the "Marzano Law"), aimed at the reorganisation of the energy sector. The law addressed the framework governing the responsibilities of the State which took on the role of directing and controlling the national energy policy.

In 2007, in order to guarantee greater competition and minimum levels of service quality in the natural gas distribution sector, Article 46 of Decree Law 159/2007 (converted into Law 222/2007) delegated the Ministry of Economic Development and the Ministry of Regional Development to issue two distinct decrees, the first aimed at establishing "*the criteria for tenders and evaluating bids in the awarding of the gas distribution service*" and the second designed to determine "*the minimum territorial areas for the tender process for awarding the service*", as well as "*measures for encouraging business combinations*".

Also, in order to follow up the objectives established by Law 222/2007, during the period between 2011 and 2015 the regulatory principles and profiles, which govern the gas distribution public service and the tenders for awarding concessions were introduced through various interventions by the legislator[4] and they are listed below:

- rationalisation of the number of tenders, with calls now planned for homogenous areas ("Minimum Territorial Areas" or "ATEMs", in line with the provinces and main urban

[4] By way of example: MiSE (Ministry for Economic Development) in consultation with the MRR (Monitoring and Reporting Regulation) of 19 January 2011 (in force from 1 April 2011), Ministerial Decree of the MiSE in consultation with the MLPS (Ministry of Labour and Social Policy) of 21 April 2011 (in force from 5 May 2011), Ministerial Decree of the MiSE in consultation with the MRR (Monitoring and Reporting Regulation) of 18 October 2011 (in force from 29 October 2011), Ministerial Decree of the MiSE in consultation with Monitoring and Reporting Regulation 226 of 12 November 2011 amended through Ministerial Decree 106 of the MiSE of 20 May 2015 (in force from 11 February 2012 and the amendments of 29 July 2015), Ministerial Decree of the MiSE of 5 February 2013 on the proposal of the AEEGSI (Electricity, Gas and Water Authority) (in force from 2 March 2013) and Ministerial Decree of the MiSE (Ministry of Economic Development) of 22 May 2014 (in force from 7 June 2014).

areas) and no longer at the level of individual municipalities. The application of this principle led to the identification of 177 ATEMs, with a consequent reduction in the number of tenders for awarding concessions (which previously stood at approximately 6,800 tenders at local level);

- provision of a limited time frame (3-4 financial years) for the call for tenders by the contracting entities, with the power of replacement by the Regions if these deadlines are not complied with and the intervention of the Ministry for Economic Development if the Regions do not exercise their power;
- ownership of the infrastructures by the operators and, at the outcome of the tender for awarding the concession, sale to the incoming operator, with compensation based on the reconstruction value as new of the plants (repayment value);
- adoption of the operational and financial requirements in order to be able to participate in the tenders;
- adoption of standard criteria for the evaluation of the bids, based on the economic conditions of the latter, the service quality and safety offered and the investment plan put forward by the operator.

In 2015, Law Decree 210/2015 (the "*milleproroghe*") finally revised the latest dates for the publication of the calls for tender by the contracting entities. Specifically, the first deadline will be July 2016. This decree also eliminated the penalty imposed on contracting entities in breach of the calls for tenders and laid down new terms for the Regions and Ministry for Economic Development in exercising the power of replacement.

3.5 The relevant tariff system

Natural gas distribution activities are regulated by the Authority, which determines and updates tariffs as well as drawing up the rules for access to infrastructures and for the provision of related services.

The current tariff system specifically ensures that the revenue used to formulate tariffs is determined in such a way as to ensure that operators' costs are covered and that return on invested capital is fair.

There are three categories of recognised cost:

- the cost of net capital invested for regulatory purposes (regulatory asset base, RAB) through the application of a rate of return for the same ("WACC");
- economic-technical amortisation and depreciation, covering capital expenditure;
- operating costs for the year.

Through Resolution 573/2013/R/gas, the Authority defined the tariff criteria for the distribution and metering services for the regulatory period, from 1 January 2014 to 31 December 2019 ("Fourth Regulatory Period").

Resolution 583/2015/R/gas defined the criteria for determining and updating the WACC rate for infrastructure services for the electricity and gas sectors for the period 2016-2021, in turn divided into two reference sub-periods (first sub-period: 2016-2018; second sub-period: 2019-2021).

Specifically, with reference to the services provided by the Company, the remuneration rate was set for the first sub-period 2016-2018 at 6.1% for the gas distribution service and 6.6% for the gas metering service. Both remuneration rates, expressed in real terms before tax, will be reviewed at the start of the second sub-period 2019-2021, depending on the updating of the parameters adopted for the determination.

3.6 The reference competitive scenario

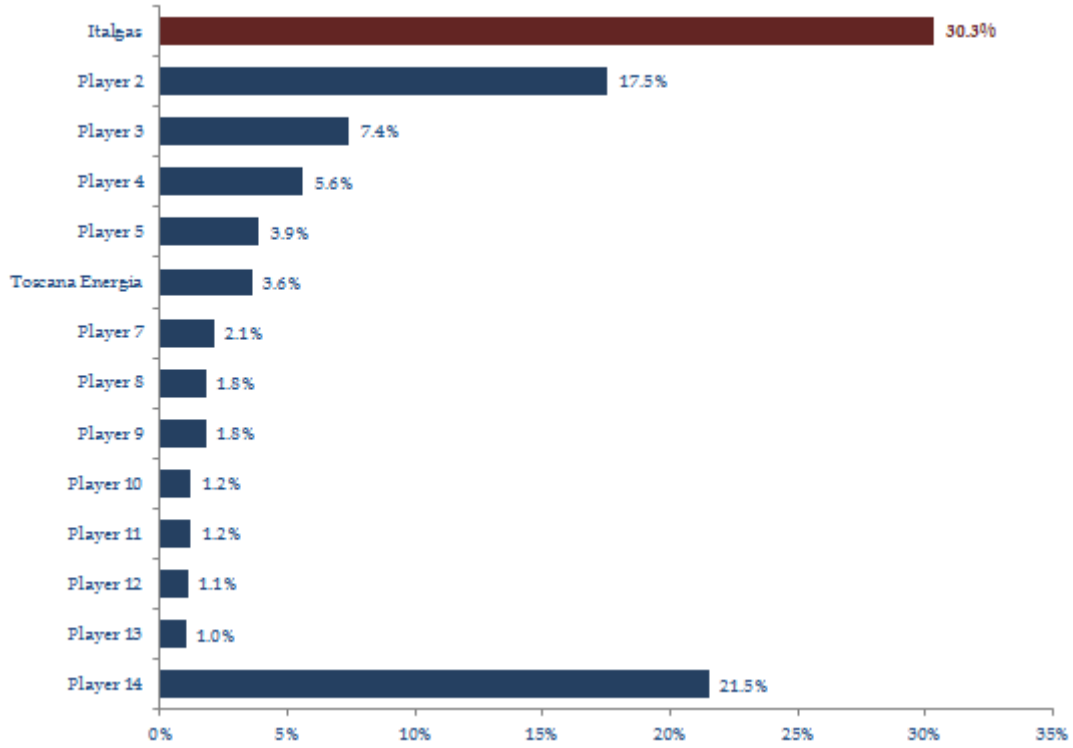
The progressive liberalisation of the gas market, as a result of the Letta Decree, has allowed a process of combinations among operators with intense mergers and acquisitions activity.

On the date this decree came into force, the distribution segment featured the presence of around 700 businesses. At 31 December 2014, the number of distributors on the register of operators at the electricity and gas authority was reduced to 230[5].

Within the gas distribution market, Italgas is the leading Italian operator with a market share of over 30%.

The market shares for operational redelivery points of the major Italian operators in the gas distribution business are listed below (Figure 7).

Figure 7: market shares of the major Italian operators for operational redelivery points



3.7 Italgas historical economic-financial data

The scope of consolidation involves Italgas S.p.A., Napoletana Gas S.p.A., AES Torino[6] (from 1 July 2014) and Acam Gas S.p.A. (from 1 April 2015).

[5] Annual report on the state of services and activity conducted - Authority for electricity, gas and water, 31 March 2015.
[6] From 1 January 2016 merged by incorporation 100% into its parent company Italgas

The companies Metano Arcore S.p.A. and SETEAP S.p.A. were the subject of incorporation, respectively, into Italgas S.p.A. and Napoletana Gas S.p.A. with effect from 1 January 2015.

The main historical economic and financial data of the Company at 31 December 2013, 2014, 2015 and at 31 March 2015 and 2016 are given below (Table 2).

In the financial year 2015, Italgas recorded total revenues of €1,098 million, a 4.3% increase over 2014 (+€45 million). Adjusted revenues in 2015 totalled €1,071 million (equal to 97.5% of total revenues) and refer in the main to payments for the natural gas distribution service (€1,027 million) and technical services connected to the distribution service (€24 million). Unadjusted revenues, equal to €27 million at 31 December 2015, were in line with 2014 and refer to property income (rental), the provision of services and sales of products and other non-regulated revenues.

Table 2: consolidated income statement[7]

Consolidated Income Statement (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2015	31/03/2016
Regulated revenue (*)	1,008	1,026	1,071	*3%*	262	249
Non-regulated revenues	30	27	27	*(5%)*	5	7
Total revenue	**1,038**	**1,053**	**1,098**	***3%***	**267**	**256**
Operating costs (*)	(319)	(331)	(356)	*6%*	(80)	(95)
EBITDA	**719**	**722**	**742**	***2%***	**187**	**161**
% margin	***69%***	***69%***	***68%***		***70%***	***63%***
Amortisation, depreciation and impairment losses	(214)	(245)	(273)	*13%*	(63)	(63)
EBIT	**505**	**477**	**469**	***(4%)***	**124**	**98**
% margin	***49%***	***45%***	***43%***		***46%***	***38%***
EBIT adjusted	**516**	**477**	**509**	***(1%)***		
% adjusted margin	***50%***	***45%***	***46%***			
Net financial expenses	(70)	(54)	(48)	*(17%)*	(17)	(16)
Net income from equity investments	60	98	29	*(30%)*	5	4
Profit before taxes	**495**	**521**	**450**	***(5%)***	**112**	**86**
Income taxes	(194)	(115)	(110)	*(25%)*	(31)	(24)
Tax rate	*39.2%*	*22.1%*	*24.4%*		*27.7%*	*27.9%*
Net profit	**301**	**406**	**340**	***6%***	**81**	**62**
Adjusted net profit	**308**	**355**	**345**	***6%***		

(*) Only for the reclassified income statement, revenue from the construction and upgrading of distribution infrastructure entered in accordance with IFRIC 12 and recognised in an amount equal to the costs incurred (€319 million, €316 million and €321 million respectively in 2013, 2014 and 2015; €46 million and €62 million respectively as at 31 March 2015 and 2016) is shown as a direct reduction of the respective cost items.

[7] The data relating to 2015 include Acam Gas S.p.A. wholly consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A. with effect from 1 January 2015, previously valued at the shareholders' equity. With regard to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects were recognised, respectively in the whole of 2015 and in six months of 2014.

In terms of operating margins, the Group achieved an operating profit in 2015 of €469 million, a fall of €8 million compared with the figure recorded in 2014 (-1.7%). This fall in margins is attributable to the increase in operating costs (+€25 million)[8], amortisation, depreciation and write-downs (+€28 million)[9], an increase only partly offset by greater regulated revenues (+€45 million).

In 2015, the Company made a pre-tax profit of €450 million and a net profit of €340 million (adjusted net profit of €345 million[10]), both lower than the figures recorded in 2014 (a fall of €71 million and €66 million, respectively). Specifically, in 2015, the Company received lower income from investments, with the fall partly offset by a reduction in the average cost of financial debt.

As far as the Company's results for the first quarter of 2016 are concerned, the reduction in RAB return rates, introduced by the Authority from 1 January 2016 (see Paragraph 3.5) caused a fall of approximately 4% in total revenues, due mainly to a 5% decrease in regulated revenues compared with the figure recorded for the first quarter of 2015 (€249 million compared with €262 million)[11]. In terms of operating margins, in the first quarter of 2016, the Company made an operating profit of €98 million which, in addition to the above-mentioned reduction in regulated revenues, reflects greater operating costs (+€15 million).

[8] The increase is essentially due to the increase (i) in costs related to regulated activities of €14 million (due to lower capitalisation related to the reduction in investments and the increasing weighting of activities aimed at remote meter reading, featuring a greater impact of external costs compared with the activities of replacing traditional meters which took place until the previous year, partly offset by a reduction in other costs) and (ii) costs relating to unregulated activities of €11 million.

[9] Amortisation, depreciation and write downs increased by €28 million, equal to 11.4%, compared with 2014. The increase is due mainly to the consolidation of AES Torino (6 months in 2014) for +€18 million and Acam Gas for +€3 million.

[10] The income items classified as special items in 2015 involve (i) the estimate, made on an actuarial basis, of expenses for employers resulting from the abolition, from 1 December 2015, of the Gas Fund pursuant with Law 125 of 6 August 2015 (€40 million; €27 million net of the tax effect) and (ii) income resulting from the adjustment of deferred tax resulting from the reduction, from 1 January 2017 of the IRES rate from 27.5% to 24% (€22 million), as set out in Law 208/2015 – Stability Law of 2016, containing "Measures for the formation of the annual and multi-year government budgets, which was published in the Official Gazette of 30 December 2015 and came into force on 1 January 2016.

[11] Following lower revenues for the natural gas distribution service (-€13 million), attributable to the reduction in the return on net invested capital for regulatory purposes (-€11 million) and the failure of the Authority to provide incentives for investments to replace the cast iron piping in previous years (-€6 million); these effects were partly offset by Acam Gas joining the scope of consolidation (+€4 million).

Table 3 shows the financial position of the Company at the end of 2013, 2014 and 2015 and at 31 March 2016.

Table 3: consolidated financial position[12]

Consolidated Statement of financial position (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Fixed capital	**4,385**	**4,650**	**4,761**	**4%**	**4,790**
Property, plant and equipment	*209*	*226*	*230*	*5%*	*228*
Intangible assets	*3,936*	*4,284*	*4,472*	*7%*	*4,471*
Equity investments	*335*	*224*	*169*	*(29%)*	*174*
Net payables for investments	*(95)*	*(84)*	*(110)*	*8%*	*(83)*
Net working capital	**(306)**	**(211)**	**(90)**	**(46%)**	**(172)**
Trade receivables	*358*	*402*	*456*	*13%*	*495*
Inventories	*11*	*15*	*19*	*31%*	*21*
Trade payables	*(116)*	*(163)*	*(133)*	*7%*	*(192)*
Provisions for risks and charges	*(219)*	*(211)*	*(192)*	*(6%)*	*(200)*
Liabilities for deferred taxes	*(305)*	*(217)*	*(159)*	*(28%)*	*(149)*
Other assets and liabilities	*(35)*	*(37)*	*(81)*	*52%*	*(147)*
Provisions for employee benefits	(76)	(87)	(116)	*24%*	(115)
Assets held for sale and directly related liabilities	16	16	17	*3%*	18
Net Invested Capital	**4,019**	**4,368**	**4,572**	**7%**	**4,521**
Shareholders' equity (including minority interests)	2,355	2,596	2,724	*8%*	2,786
attributable to the group	*2,354*	*2,595*	*2,723*	*8%*	*2,785*
attributable to minority interests	*1*	*1*	*1*	*0%*	*1*
Net financial debt	1,664	1,772	1,848	*5%*	1,735
Coverage	**4,019**	**4,368**	**4,572**	**7%**	**4,521**

At 31 December 2015, net invested capital stood at €4,572 million, an increase of approximately €204 million compared with 2014. Specifically, a significant increase in fixed capital was recorded in 2015 as a result of the consolidation of Acam Gas' fixed assets, an increase partly offset by a reduction in investments (equal to €55 million and mainly due to the full consolidation of Acam Gas) and an increase in net debts for investing activities (of €26 million). Specifically, note that intangible assets mainly refer to service concession agreements (€4,361 million in 2015) and that in 2015 the item equity investments was mainly made up of the shareholding owned by the Company in Toscana Energia (for approximately €167 million, equal to a stake of 48.08%) and a residual amount from the shareholdings owned in Umbria

[12] The data for 2015 include Acam Gas S.p.A. fully consolidated from 1 April 2015, Metano Arcore S.p.A. incorporated into Italgas S.p.A. with effect from 1 January 2015 and previously valued at the shareholders' equity, SETEAP S.p.A., the subject of a merger by incorporation into Napoletanagas S.p.A., with effect from 1 January 2015, previously valued at the shareholders' equity. With reference to the full consolidation of AES Torino S.p.A. from 1 July 2014, the economic effects are observed, respectively in all of 2015 and in six months in 2014.

Distribuzione Gas (for approximately €1 million, equal to a stake of 45%) and Metano Sant'Angelo Lodigiano (for approximately €1 million, equal to a stake of 50%).

With reference to net working capital, in 2015 the Company recorded an increase of €121 million compared with 2014. These dynamics were mainly affected by (i) an increase in trade receivables (mainly relating to gas transmission services and ancillary services to ENI S.p.A., receivables from third-party customers and receivables from the CSEA (Energy and Environmental Services Fund) relating to equalisation[13]), (ii) a decrease in the Company's exposure to suppliers (mainly as a result of payments deferred from 2014 to 2015) and (iii) a reduction in the deferred tax fund, caused by the abolition, from 1 January 2015, of additional IRES the "Robin Hood Tax") and the planned reduction of the IRES rate from 27.5% to 24% based on the 2016 Stability Law.

Assets held for sale and liabilities directly associated with them mainly involve the property in Via Ostiense in Rome for which the sale to Eni S.p.A. was approved.

At 31 December 2015, net financial debt totalled €1,848 million (which breaks down as €1,441 million from long-term financial liabilities provided by Snam, €409 million for the use of lines of credit with the parent company Snam and €2 million of cash and cash equivalents), an increase of €76 million compared with the previous year as a result of the distribution of earnings relating to previous years of €214 million.

The long-term loan granted by the parent company Snam to Italgas comes under the scope of the centralised management of the group's financial resources. Specifically, part of this loan was supplied by Snam to Italgas in view of the issuing by Snam of a bond loan for a total of €994 million. The inter-company loan agreement between Snam and Italgas requires the latter, in the case of a change of control (in other words Snam losing control of Italgas), repaying the loan early to Snam. The repayment value of this loan will be equal to the accounting balance increased by the mark-to-market of the bonds issued by Snam for the purpose of the loan to its

[13] Mechanism according to which payables to/receivables from the CSEA are recorded, the differences between how much is invoiced to retail companies and the revenue limit defined by the Authority

subsidiary. Following the separation of ownership transaction involving Italgas and Snam, ITG Holding will refinance Italgas' exposure with regard to Snam.

Lastly, as far as the financial position at 31 March 2016 is concerned, there was a slight reduction in net invested capital compared with 31 December 2015 (-€51 million), mainly as a result of the lower exposure of working capital.

On the same date, the net financial position of the Company (equal to €1,735 million) showed an improvement of €113 million as a result of cash generation in the first quarter of the financial year, and breaks down into €1,426 million long term loans from Snam, €310 million in a treasury arrangement and €1 million in cash and cash equivalents.

Lastly, with regard to the technical investments made by the Company in 2015, these totalled €393 million, an increase compared with the annual figure recorded in the two-year period 2013 - 2014; in the last financial year the Company made - among other things - over €130 million in investments in gas metering services (remote reading) and approximately €200 million in investments in the network (mainly in development and maintenance activities).

The breakdown of technical investments for the years 2013, 2014 and 2015 and at 31 March 2016 is given below (Table 4).

Table 4: technical investments

Technical investments (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15	31/03/2016
Distribution	**239**	**231**	**199**	*(9%)*	**40**
Network maintenance and development	187	180	169	*(5%)*	18
Replacement of cast-iron pipes	52	51	30	*(24%)*	22
Metering	**83**	**88**	**134**	*27%*	**22**
Development	9	8	-	*n.s.*	-
Maintenance	59	41	2	*(80%)*	-
Remote reading	15	39	131	*196%*	22
Other investments	**36**	**40**	**60**	*29%*	**8**
Total investments	**358**	**359**	**393**	*5%*	**70**

In view of the investments made in the three-year period 2013-2015, in this period the Company's RAB (including the transfer of its subsidiaries and investee companies) remained steady at around €5.8 billion, with a D/(RAB + Associates) ratio equal to approximately 30% (average figure for 2013-2015). At a consolidated level, in 2015, approximately 90% of the RAB referred to the distribution service while 10% referred to the metering service. At corporate level note that approximately 90% of the RAB (at consolidated level) is attributable to Italgas, and that approximately 94% of the Equity RAB Associates pertains to Toscana Energia.

Table 5: Regulatory Asset Base (RAB) and main indicators

RAB (€ million)	31/12/2013	31/12/2014	31/12/2015	CAGR 13-15
RAB (consolidated)	**5,200**	**5,566**	**5,655**	***4%***
RAB distribution	*4,694*	*5,016*	*5,062*	*4%*
RAB metering	*506*	*550*	*593*	*8%*
RAB (consolidated)	**5,200**	**5,566**	**5,655**	***4%***
Italgas (including AES Torino from 2014)	*4,704*	*5,065*	*5,047*	*4%*
Napoletanagas	*496*	*501*	*507*	*1%*
Acam Gas	*-*	*-*	*101*	*n.s.*
Equity RAB Associates	**545**	**271**	**222**	***(36%)***
Toscana Energia	*221*	*206*	*209*	*(3%)*
AES Torino	*257*	*-*	*-*	*n.s.*
Acam Gas	*49*	*49*	*-*	*n.s.*
Others	*18*	*16*	*13*	*(15%)*
RAB + Equity RAB Associates	**5,745**	**5,837**	**5,877**	***1%***
D/RAB+Associates	**29.0%**	**30.4%**	**31.4%**	
EBIT/RAB (consol.)	**9.7%**	**8.6%**	**8.3%**	
EBIT adj./RAB (consol.)	**9.9%**	**8.6%**	**9.0%**	

3.8 Italgas' business plan

This section describes the main guidelines of the draft prospectus and draft presentation of the Italgas 2016-2020 business plan (and extensions to 2022) prepared by management under the scope of the Company's financial plan of action and announced, respectively, on 17 June 2016 and 10 June 2016 (the "Plan").

Management prepared the Plan projections on the basis of the following:

(i) the projected development of the tender plan and related investment plan;

(ii) the economic and financial effects of the re-leverage transaction under the scope of the reorganisation of the parent company Snam aimed at the ownership separation of Italgas from the latter.

With regard to the timetable of the tenders for awarding the concessions, the Plan requires the Company to consolidate its current leadership position in the market, gradually increasing its market share.

The tender award projections within the Plan are the main drivers for the total spending plan in terms of investments. The time adjustment of this expenditure was prepared by management in line with the ATEM award timetable.

With regard to the dynamics of projected investments in the time frame of the Plan, management envisages an alignment between the Residual Industrial Values(VIR) during the repayment and the related RAB values.

Also note that after the explicit period of the Plan (and specifically in 2024) the concession relating to the Municipality of Rome, obtained in 2012, will expire.

This concession features a different contractual framework compared with the other concessions included in the Italgas portfolio; specifically, when this concession expires, the agreements between Italgas and the Municipality of Rome require that - in the case of renewal - the latter pays the Company the Residual Industrial Value (equal to €300 million) in view of the acquisition of the concession by the incoming operator in the tender.

With regard to this concession, also based on discussions with the management of the Company, the following theories can reasonably be formulated:

- the renewal of the expiry of the concession to Italgas by the Municipality of Rome, coming under the concessions of "key interest" to Italgas (this assumption, in particular, is consistent with maintaining the working cash flows projected in the Plan, which includes the flows relating to the Rome concession);

- the establishment by the Municipality of Rome of the tender value of the concession in line with the RAB value in 2024 (estimated by the Company at approximately €680 million), also taking into consideration the fact that - based on the regulations in force - the contracting entities are bound to indicate a value in the call for tenders in line with that granted for tariff purposes;
- the valuation of all investments made under the scope of the Rome concession, excluding those that can be allocated free of charge made by the Company in the three-year period 2013-2015 (equal to approximately €135 million[14]), in equal measure both in terms of Residual Industrial Value and in terms of RAB, no misalignment between these two magnitudes having been verified.

Based on the assumptions described above, it is possible to assume that - if the Municipality of Rome concession is renewed in 2024 - the outlay that the Company will incur in these circumstances will be equal to the differential between (i) the value of the RAB at that date recognised by the Company to the Municipality of Rome (€680 million) and (ii) the repayment value (Residual Industrial Value) paid by the latter to Italgas (€300 million), increased by the share of investments that can be devolved, free of charge, to the Municipality of Rome (€135 million). As a result, the total outlay that Italgas will presumably have to make in the case of the envisaged renewal of the Rome concession in 2024 is estimated at €515 million.

As indicated, the Plan was prepared by management both on the basis of the anticipated development of the tender plan - which is directly reflected in the projections for regulated economic margins and invested capital - and based on the impacts resulting from the Italgas re-leverage operation.

[14] contractually determined as 50% of investments made in the three-year period 2013-2015, equal in total to €270 million

With regard to this specific aspect, the Plan envisages the issuing by ITG Holding in favour of Snam of an inter-company debit note for €1.5 billion, in the light of the acquisition of the 38.87% stakeholding in Italgas.

Lastly, as already observed, the conclusions that this Opinion reaches are formulated on the assumption that the results in the Italgas 2016-2020 business plan draft presentation announced on 10 June 2016 and those contained in the Italgas 2016-2020 business plan announced on 17 June 2016, correspond to those in the Italgas 2016-2020 Italgas business plan approved by the Company's Board of Directors on 21 June 2016, according to the statement issued by the Company on 21 June 2016.

4. The company's evaluation criteria in theory and in practice

The company's evaluation methods depend on the Company's different characteristics under analysis, the type of activity conducted and the sector in which it operates. The main methodologies developed by the guidelines and in use in professional practice include the following methods:

- Capital
- Income
- Mixed Capital - Income
- Financial
- Market multiples

The paragraphs that follow provide a summary description of the methods indicated above.

4.1 Capital methods

Capital methods are based on the analytical evaluation of the individual asset and liability items that make up the company capital through their re-expression at current values and include the "simple capital" method and the "complex capital" methods depending on whether the value of tangible assets only or also those of intangible production items not recorded in the financial statements is estimated.

i) The simple capital method

Based on this method, the value of the company is calculated depending on its shareholders' equity book value revalued through the application of adjustments to the values of the assets and liabilities based on the following formula:

$$W = K$$

where the terms of the relationship represent the following data:

- W = Economic value of the company
- K = Shareholders' equity adjusted to current values

The calculation basis for the estimate of the value is the Shareholders' Equity in the Financial Statements expressed by an accounting capital statement, including the earnings of the latest financial year and those set aside in previous financial years, with the exclusion of the amounts for which the distribution in the form of dividends has been or is about to be decided.

The capital method includes the calculation of the current value of non-monetary asset items (technical fixed assets, equity investments, stock). The differences between current values and respective book values generate a series of capital gains or capital losses.

Once the adjustments have been made, a corrective factor must be introduced in order to take into account any hidden taxes on the higher values confirmed.

The final result of the simple capital valuation is equal to the company's shareholders' equity book value, adjusted by the higher values described above, net of any tax effect.

The simple capital method is used in practice for the valuation of companies where the capital is made up of items with an independent and separate economic value, such as property companies and diversified financial holding companies (for which the valuation based on the group consolidated results is of little significance).

ii) The complex capital method (1st or 2nd degree)

The complex capital method, with the independent valuation of intangible assets and/or company goodwill, calculates the value of the company as the sum of the shareholders' equity adjusted through the simple criterion (K) and the value of intangible fixed assets not accounted for.

The definition of first degree refers to the complex capital method aimed at calculating the value of intangible assets where an independent valuation is possible (for example, trademarks, patents and licences), while second degree refers to the complex capital method that assigns a

value to intangible assets that cannot be valued separately under the scope of a general concept of goodwill (corporate image, customer portfolio, talent of managers, etc.).

To sum up, the calculation process is implemented based on the following formula:

$$W = K + I$$

where:

- W = Value of the economic capital
- K = Value of the shareholders' equity adjusted through the simple method
- I = Total market value of intangible components

4.2 Income methods

The income type valuations are based on the concept according to which the value of the economic capital (W) depends on the net income (R) that the company is expected to be capable of sustainably generating in the future according to a relationship of the following type:

$$W = f(R)$$

The valuation formula assumes a different structure according to whether the income is assumed to be indefinite or limited over a period of time.

In the former case the value of the economic capital is represented by the current value of a perpetual return of an amount equal to the net income (R), in other words:

$$W = R/i$$

where (W) is the value of the company, (R) the normalised net income of the company and (i) the discount rate, which represents the expected return rate for the risk capital.

In the latter case, the value of the economic capital is represented by the current value of a return of an amount equal to the net income (R) which lasts (n) years and is discounted at the rate (i) which, similar to the case outlined above, corresponds to the expected return rate for the

risk capital. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = R \times a_{n\neg i}$$

The use of these formulae requires an analysis of the following problems:

- the extent of net income (R) to use, in other words whether to refer to historical values, projections of historical data, or to projected results expressed in company plans. In addition it is necessary to identify the elements to include or exclude from net income in order to consider net income "normalised" (i.e. net income that does not take into consideration elements of characteristic and/or extraordinary management which are not significant because they cannot be repeated over the years);
- the number of years (n) in which net income is considered, or whether to refer to a limited or unlimited period of time;
- the calculation of the discount rate (i) which expresses the return required by an owner of risk capital (Ke) for an investment in the business being valued, determined according to a methodology known as CAPM (i.e. “Capital Asset Pricing Model”) and which is based on the following formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

where the elements of the relationship represent the following data:

- Rf = Return rate of medium-/long-term government bonds
- β = Risk coefficient of the sector in which the company subject to valuation operates, determined as a decline in the performance of companies in the sector in relation to the market, including the effect of theoretical financial structure (i.e. Financial Lever)
- E(RM) = Average return of shares (where [E(RM) – RF] expresses the premium for the market risk)

- RS = Additional Specific Risk of the company subject to valuation

4.3 Mixed capital - income methods

The mixed capital-income methods stem from the need to limit the weighting of valuations of a subjective nature and the need to adequately evaluate not only the prospective capacity of the company to generate wealth in income terms, but also its capital consistency. The most extensively used method is the "U.E.C." (Union of European Accounting Experts), based on which the value of the economic capital results from the sum of the value of the adjusted shareholders' equity and the current value of the "excess income" or "insufficient income", understood as the difference between the assumed profitability of the company and that deemed consistent based on the capital used and the return rate required by a shareholder for an investment in the company subject to valuation. Specifically, the value of the economic capital is expressed by the following relationship:

$$W = K + a_{n\neg i'} (R - iK)$$

where the terms of the relationship represent the following data:

- W = Value of the economic capital
- K = Adjusted shareholders' equity, calculated through the capital methods described previously.
- R = Expected normal net income, estimated according to the description in the income methods analysed previously
- i = Return rate, expressing the return rate required for an investment in the capital of the company subject to valuation
- i' = Discount rate of the excess/insufficient income, expressing the value of the time (and possibly the risk of the company subject to valuation)

- $a_{n\neg i'}$ = Sum for (n) years of discounted flows applying a discount rate equal to (i')

The above formula is also known in its (less used) version of unlimited capitalisation of excess income, with the replacement of the perpetuity component by the return factor:

$$W = K + (R - iK) / i'$$

The operation of the limited capitalisation formula (but also in part the unlimited capitalisation) tends in reality to undervalue the income component and give greater emphasis to the capital component. As a result, the mixed method is more significant for companies with high invested capital, while it is less so for companies with low invested capital and high profitability.

4.4 Financial methods

According to these methodologies the value of a company's economic capital is estimated through the discounting of cash flows expected to be generated in future. To sum up, the financial method aims to determine the following elements:

- The current value of cash flows produced by the operations of the company;
- The current value of the operating assets of the company at the end of the explicit projection period or the residual value (terminal value);
- The current value of non-strategic or instrumental assets at the reference date (surplus assets);
- The consistency of burdensome debts at the reference date.

Preparation for the use of financial methodologies is therefore preparation of a medium-/long-term economic-financial plan with a good degree of reliability and analysis.

There are various formulations of these methods according to the criteria adopted in the calculation of the financial flows used for the valuation. The most widely used method, known as the "Discounted Cash Flow" (i.e. the DCF), determines the value of the economic capital (so-

called Equity Value) through the difference between the value of the company (the Enterprise Value) and the value of the financial debt:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

$$W = Wo - D$$

Where the terms of the relationship represent the following data:

- W = Value of the economic capital (Equity Value)
- Wo = Value of the company excluding debt (Enterprise Value)
- D = Net Financial Debt
- CF (t) = Expected cash flows in the period (t)
- n = Duration of the forecast period of cash flows
- V(t) = Discount coefficient in the period (t)
- VT = Terminal Value, in other words the value of the company at the end of the period to which the cash flow forecasts refer

This method therefore requires the forecast cash flows (CF) in the reference time horizon (n), the necessary discount rate to calculate the discount coefficients (V) and the Terminal Value (VT) to be calculated.

As far as the calculation of the cash flows (CF) is concerned, it is necessary to refer to a forward-looking economic-capital plan which is comprehensive and enables the calculation of the cash flow generated in each period.

As far as the Terminal Value (VT) is concerned, it is calculated using the perpetual or fixed-term capitalisation formula for the cash flow generated by the company in the period (n+1) discounted at the reference time of the valuation.

Lastly, as far as the calculation of the discount rate, commonly known as the WACC and expressing the financial structure of the company and the cost of financial resources, both debt and own capital, is concerned, the following formula is used:

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

Where the terms of the relationship represent the following data:

- kd = Cost of third-party funds
- Ke = Cost of own funds
- t = Tax rate
- D = Value of third-party funds
- E = Value of own funds

Specifically, the cost of own funds (Ke) is calculated using the CAPM method described previously.

The financial methodology is universally recognised as the one scientifically superior to all the others; it is the one most widely used in Anglo-Saxon corporate practice and it is being increasingly adopted in Italian practice.

The only problem with this criterion involves the necessary availability and reliability of the medium-/long-term economic-financial plans.

4.5 The method based on market multiples

This evaluation methodology determines the market price of a company (and therefore theoretically not the value of the economic capital, even if the two values tend to coincide for listed companies) taking a sample of listed companies operating in the same sector and with similar characteristics to the company subject to valuation as a reference. In the event of market excellence, the prices of listed companies reflect the expectations of operators regarding corporate capacity to generate wealth.

The method therefore consists of identifying the variables that the market believes to be strictly related to the market capitalisation of the listed company and in the subsequent parameterisation of the market capitalisation of the company listed at the value of these variables. The variables normally used are: turnover, EBITDA and operating income, also known as EBIT. In particular:

- The Enterprise Value/Turnover multiple is believed to express the value of the company if the turnover is considered by the market to express the value of the company and therefore an important parameter in establishing the competitive market position and the income prospects;
- The Enterprise Value/EBITDA multiple determines the value of the company based on a company profitability parameter not affected by financial statement policies and, specifically by amortisation/depreciation policies and/or by the presence of goodwill and/or by the different consistency of depreciated assets;
- The Enterprise Value/EBIT multiple determines the value of the company based on a company profitability parameter increasingly affected by financial statement policies such as those relating to amortisation/depreciation and/or the consistency of depreciated assets;

After having verified the existence of comparable companies, carefully and using the necessary approximations, the value of the economic capital of the company subject to estimation is calculated using the following relationship:

$$W = (M \times X) - D$$

Where the terms of the relationship represent the following data:

- M = Enterprise Value/Variable ratio of the comparable companies
- X = Turnover, EBITDA, EBIT of the company subject to valuation
- D = Net financial debt

The most critical aspect of this method consists of identifying comparable companies which must be selected finding elements of homogeneity in terms of the sectors to which they belong, characteristics of the competitive scope, product system offered, financial risks, performance of historical and prospective results, reputation status, etc.

5. The selection of valuation criteria and the results of their application

Taking into consideration the analyses conducted in the previous paragraphs with regard to the different valuation methodologies and the documents available, it is believed that the valuation of the Company should continue through the application of two methods: (i) the financial method (and, specifically the Discounted Cash Flow method) and (ii) the Sum of the Parts method ("SOP"), described respectively in paragraphs 5.1 and 5.2.

General policies and international practice attribute increasing significance to financial type methodologies under the scope of the valuation of operating companies, on the assumption that the value of the business is determined on the basis of the capacity of same to generate cash flows, rather than income.

The financial methods are therefore preferred to the income method, as well as because the latter is often influenced by various accounting techniques, which involve estimated valuations (amortisation and depreciation and provisions) and therefore "pollute" the income results, also because, in the case in question, the impact of investments (both technical and financial) makes the correct identification of normalised income rather difficult.

In the DCF version, the financial method puts forward the following typical principles:

- it enables an appreciation of the company's prospective capacity to generate cash flows;
- it is generally preferable where a multi-year plan which is sufficiently reliable to estimate multi-year financial flows is available;
- it takes into account both the return time and the risk of the investment in a time horizon that can be more or less wide-ranging.

In order to obtain greater confidence with regard to the results expressed by the application of the financial method, as previously stated a second valuation method was used, namely the SOP method which is reflected in the valuation practice under the scope of companies operating in regulated sectors. This method consists of the sum of the individual valuations that

can be assigned to each group company or business areas understood as economic entities susceptible to independent valuation. The valuation is conducted applying the valuation method deemed most appropriate to each company or business unit.

With regard to the case in question, it was not, however, deemed appropriate to use the market multiples method because the impossibility of identifying listed companies comparable to Italgas (in terms of sector of operations, regulatory WACC, duration of the concessions portfolio) means that it would have a limited impact.

5.1 Application of the DCF method

The economic value of the company in question was estimated based on the following valuation formula:

$$Wo = \sum_{t=1}^{n} CF(t) * V(t) + VT * V(n)$$

where the parameters have the meaning described previously. Note that the operating cash flows are discounted in the event that they are formed uniformly over the space of each financial year.

The criteria adopted for the estimation of the parameters in the valuation formula are described below.

a) Calculation of operating cash flows

The cash flows for the period April 2016 - December 2016 and the financial years 2017-2022 are given in Table 6 below.

When calculating the operating cash flow net of tax the notional taxes on EBIT, estimated as the extent of (i) 24% of operating income for IRES (from 2017) and (ii) 3.9% of the taxable amount of IRAP were taken into account.

Table 6: operating cash flows

Operating cash flow (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO	79	(43)	0	(13)	(50)	(538)	212
FCFO 31/03/2016	(118)	-	-	-	-	-	-
FCFO Adj.	(39)	(43)	0	(13)	(50)	(538)	212

Moreover, in order to estimate correctly the operating cash flow for the period April 2016 - December 2016, the part related to the period January 2016 - March 2016 was deleted from the 2016 annual cash flow.

b) Estimate of the weighted average capital cost (WACC)

The reference rate for discounting of unlevered cash flows, intended for remuneration of both holders of credit capital and holders of venture capital, is the weighted average cost of the venture and debt capital (WACC):

$$WACC = kd \times (1 - t) \times \frac{D}{(D + E)} + K_e \times \frac{E}{(D + E)}$$

The cost of venture capital was determined, as mentioned above, using the Capital Asset Pricing Model (CAPM) formula:

$$Ke = Rf + \beta \times [E(RM) - Rf] + RS$$

For the purposes of Italgas evaluation, the following parameters were used:

- The risk free rate (Rf), or the yield expected in the long run for no-risk investments, was assumed to be equal to 0.45%, in line with the 6-month mean of 15-year German State Bonds (Bund), as of 20 June 2016 (source: *Bloomberg*). The temporal horizon of reference for the observation of the risk free rate reflects the duration of Italgas concession portfolio adopted in the Plan (approximately 15 years from the date of this Opinion, versus a residual duration of 8-9 years as of 2022).
- The market risk premium ([E(RM) – Rf]) was assumed to be 8.8%, in line with the last measurements available for the Italian market (source: *Damodaran*, January 2016);
- The coefficient β (*levered)* was assumed to be equal to 0.7, in line with the value indicated

by the Authority for the determination of currently applicable regulatory WACC;

- The risk-specific (RS) premium was assumed to be equal to 2.0%, according to various aleatory factors that could affect the actual achieving of cash flows according to the Plan, such as:
  - (i) a potential revision of current rate levels by the Authority (whose medium-long term evolution cannot be predicted today);
  - (ii) A different modulation of the tender plan in the upcoming years; and
  - (iii) A different percentage of contract awarding of the Company (this last element, in particular, could lead to a significant revision compared to the Plan's projections, both for the investments made in the period 2016-2022 and for the Company profitability level in the long run).

With various weighted factors, the cost of own capital (Ke) is 8.6%.

On the other hand, the cost of long term debt capital (Kd) was assumed to be equal to approx. 2.4%, in line with the Company's long-term mean debt cost.

Finally, the debt ratio D/E (gearing) was assumed to be equal to 0.5, reflecting the long-term financial structure of the Company, expressed in market value, where 'E" is the current economic value of Italgas.

The tax aliquot was assumed to be equal to the IRES aliquot (24%).

In view of this, the mean weighted cost of Italgas capital used for the purposes of discounting unlevered operating cash flows is equal to 5.2% (Table 7).

Table 7: determination of the weighted mean cost of Italgas capital

WACC	
Rf	0.45%
Beta	0.7
ERP	8.8%
Specific risk	2.0%
Ke	**8.6%**
Kd	2.4%
t (Ires)	24.0%
Kd*(1-t)	**1.8%**
D/(D+E)	**0.5**
WACC	**5.2%**

c) Estimate of the "Terminal Value"

The estimate of the value of the Company for the years after 2022 (so-called "Terminal Value") was obtained using the following evaluation algorithm:

$$W = \frac{CF_n(1+g)}{(i-g)}(1+i)^{-n}$$

where i represents the already known discount rate (WACC), to which no corrections have been applied for the determination and discounting of the Terminal Value.

The normal expected mean cash flow (CFn) was estimated assuming a long-term growth of 1.5% (g). The other items of the income statement, assets and liabilities were obtained assuming that the Company would reach the terminal activity level at the end of 2022; Table 8 reports the estimate of the expected normal mean cash flow, estimated at approx. €330 million, and the Terminal Value, calculated using the formula described above, or by capitalisation of the expected normal mean cash flow at a rate equal to the difference (WACC – g), where WACC is equal to the above-mentioned rate:

Table 8: Calculation of the Terminal Value

Terminal Value (€ million)	
$FCFO_{TV}$	**331**
WACC	5.2%
g	1.5%
Discount rate	72.8%
Terminal Value (31/03/2016)	**6,488**

d) Application of the Discounted Cash Flow

The Italgas Enterprise Value was estimated by applying the DCF method. In detail, the "explicit" operating cash flows represented in Table 9 are discounted by applying the WACC rate, as indicated in Table 7:

Table 9: *discounted* FCFO

DCF Model (€ million)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
FCFO Adj.	**(39)**	**(43)**	**0**	**(13)**	**(50)**	**(538)**	**212**
Discount rate	98.1%	93.8%	89.2%	84.8%	80.6%	76.6%	72.8%
Discounted FCFO Italgas	**(38)**	**(40)**	**0**	**(11)**	**(40)**	**(412)**	**155**
∑ Discounted FCFO Italgas (31/03/2016)	**(387)**						

Then we calculated the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 (as described in Paragraph 3.8 of this Opinion). This disbursement, estimated at €515 million in 2024, was discounted with application of the WACC rate, determining this way a current negative value of €339 million.

Finally, the Italgas Enterprise Value was calculated as an algebraic sum of discounted "explicit" operating cash flows, the current value of additional disbursement resulting from the planned renewal of the Municipality of Rome concession in 2024 and the Terminal Value, as shown below in Table 10.

Table 10: Calculation of Italgas Enterprise Value

Enterprise Value €mln	
∑ Discounted FCFO Italgas (31/03/2016)	(387)
Present value esbursement renewal Rome concession 2024	(339)
Terminal Value (31/03/2016)	6,488
Enterprise Value Italgas (31/03/2016)	**5,762**

To sum up:

- Based on 2016-2022 forecasts provided by the management;
- Considering an expected flow discounting rate for the period of analytic projection of 5.2%;
- Considering the hypotheses adopted for the purposes of estimation of the cash flow for the period after 2022 and the expected long-term growth rate,

We obtained the Company's Enterprise Value of €5,762 million.

In order to determine the Company's Equity Value, we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March 2016, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield[15], amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 March 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

[15] The Mark to Market value as of 31 March 2016 is approximately €116 million. For the calculation of the tax shield we considered the IRES aliquot of 27.5%, since the disbursement is planned by the end of 2016

Table 11: Calculation of Italgas Equity Value

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	5,762
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	222
Minorities Italgas (31/03/2016)	(1)
Italgas Net financial debt (31/03/2016)	(1,735)
MtM debt Snam - Italgas (31/03/2016)	(84)
2015 Italgas not distributed dividends	(275)
2015 investee not distributed dividends	14
Equity Value Italgas (31/03/2016)	3,903
Equity RAB (cons.)+Equity RAB Ass.	3,797
Shareholders' equity 31/03/2016 Italgas	2,785
Equity Value - shareholders' equity premium (discount)	*40.1%*
Italgas ordinary shares (number)	252,263,314
Italgas Equity Value (31/03/2016)	3,903
Italgas Equity Value per share (€)	15.5

The Company's Equity Value determined this way is equal to €3,903 million (equal to €15.5 per share).

The analyses described above show that the economic value of Italgas determined by application of the DCF method can be fully attributed to positive cash flows expected to be generated beyond the explicit horizon of projections 2016-2022. These cash flows, significantly influenced by long-term economic and financial forecasts, are by definition aleatory.

Therefore, for evaluation purposes it is good to keep in mind the main assumptions regarding the expected long-term cash generation capacity of the Company, such as:

- Completion of the tender plan by 2022 for assigning of concessions, at the end of which the Company expects to increase its market share;
- Maintaining of the current tariff levels for the entire horizon of the Plan. In particular, the Company does not expect any revision of RAB remuneration rates, neither at the beginning of the second Sub-Period of the Fourth Regulatory Period (2019) nor at the beginning of the Fifth Regulatory Period (2022).

In particular, the hypothesis of strengthening of the competitive positioning on the market expected by the Company over the Plan's duration reflects not only the development dynamics of existing activities, but also new growth opportunities, directly correlated to the management's expectations regarding awarding of tenders for obtaining concessions.

Also in view of this consideration, we performed a sensitivity analysis of the relation between the economic value of Italgas, determined by means of application of the DCF method and the main evaluation parameters adopted, represented by (i) the long-term growth rate (rate g) and (ii) the cash flow discounting rate (WACC).

Table 12: ***Sensitivity Analysis – Enterprise Value*** **in € million**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	5,310	5,728	6,205	6,756	7,397
5.1%	5,133	5,528	5,977	6,494	7,093
5.2%	4,964	5,338	5,762	6,248	6,809
5.3%	4,803	5,157	5,558	6,016	6,542
5.4%	4,650	4,986	5,366	5,797	6,292

Table 13: ***Sensitivity Analysis – Equity Value*** **in € million**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	3,451	3,869	4,346	4,897	5,538
5.1%	3,273	3,668	4,118	4,635	5,234
5.2%	3,104	3,478	3,903	4,389	4,950
5.3%	2,944	3,298	3,699	4,157	4,683
5.4%	2,790	3,127	3,506	3,938	4,432

Table 14: ***Sensitivity Analysis*** **– Italgas value per share**

WACC \ g	1.0%	1.3%	1.5%	1.8%	2.0%
5.0%	13.7	15.3	17.2	19.4	22.0
5.1%	13.0	14.5	16.3	18.4	20.7
5.2%	12.3	13.8	15.5	17.4	19.6
5.3%	11.7	13.1	14.7	16.5	18.6
5.4%	11.1	12.4	13.9	15.6	17.6

The sensitivity analysis shows that the estimate of the economic capital of the Company is highly correlated both with the WACC discounting rate and with the long-term growth rate: this circumstance can be explained by the temporal distribution of the Company cash flows, which, as shown on the previous pages, involved reaching of positive operating cash flows only in 2022. In fact, in the Plan's years the execution of investments planned within the tender plan absorbs resources generated by the core business, but at the same time creates conditions for a stable operating cash flow generation in the long term. As it was said, this element is reflected in the Company's Terminal Value.

5.2 Application of the SOP method

The SOP method involves the evaluation of the company under analysis by adding individual evaluations attributable to each company of the group or business areas intended as economic entities that are subject to autonomous evaluation.

The evaluation is performed by applying the evaluation method considered to be the most appropriate to each company or business unit, determined in advance.

Considering the characteristics of the main business areas where the Company operates, the following methodologies were applied (Table 15):

Table 15: Evaluation methods applied (SOP)

Methodology applied	
EV Italgas Regulated activities	*RAB - 2015A-2016E weighted average* *Present value esbursement renewal Rome concession 2024*
EV Italgas Non regulated activities	*Discounted Cash Flow*

With special reference to the RAB method, it is among so-called "mixed" criteria, considering both the asset elements and the economic-financial flows and consists of assuming the recognised RAB value as the indicative value of the Enterprise Value of regulated activities. In fact, RAB represents the value of the net invested capital, constituting the basis for the calculation of operator's remuneration for the activities subject to regulation, for the determination of the reference revenue.

For the purposes of evaluation of the Company, the value of regulated activities was determined assuming as a reference the mean weighted value of RAB 2015A-2016E, determined from (i) the value of RAB at 31/12/2015 and (ii) the estimate of RAB 2016E prepared by the management. In particular, for the purposes of determination of a weighted mean of these two values, we made a hypothesis of linear progression of RAB development in 2016. This value was then corrected for the actual value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome (equal to €339 million, as described in Paragraph 5.1)

Therefore, the Enterprise Value of regulated activities is equal to €5,317 million, determined as an algebraic sum of the following components:

- RAB (weighted mean 2015A-2016E), equal to €5,656 million;
- The current value of additional disbursement from the presumed renewal of the concession of the Municipality of Rome in 2024 (equal to €339 million).

This value was added to the Enterprise Value of non-regulated activities, equal to €58 million, determined by application of the DCF method assuming a cash flow discounting rate aligned with the previously estimated WACC (5.2%).

Therefore, the SOP method permits to establish an Enterprise Value of approximately €5,375 million.

In order to determine the Company's Equity Value, also in this case we added (+) / subtracted (-) the following elements from the Enterprise Value:

(-) The net financial position value as of 31 March, equal to approx. €1,735 million;

(-) The Mark to Market value of bonds issued by Snam, which must be paid by Italgas to Snam at the early repayment of the Snam-Italgas inter-company financing in case of change of control (or in case of loss of control of Italgas by Snam). This Mark to market, net of the tax shield, amounts to approximately €84 million as of 31 March 2016;

(+) The value of non-consolidated stakes (Surplus Assets), equal in total to approx. €222 million (almost entirely referring to the stake held by the Company in Toscana Energia), in line with the corresponding value of RAB Equity (the weighted mean value of the 2015-2016 RAB Equity indicated by the Company);

(-) The value of minorities as of 31 march 2016, equal to approx. €1 million;

(-) The value of dividends relative to the year 2015 already decided upon by the Meeting of Italgas but not distributed yet, equal to approx. €275 million;

(+) The value of dividends relative to the year 2015 already decided upon by the Meeting of companies controlled (but not consolidated) by Italgas but not distributed yet, equal to approx. €14 million;

The Company's Equity Value determined this way is equal to €3,516 million (equal to €13.9 per share), as represented below (Table 16).

Table 16: Calculation of Italgas Equity Value

Enterprise Value (€ million)	
EV Italgas Regulated activities	5,317
RAB - 2015A-2016E weighted average	*5,656*
Present value esbursement renewal Rome concession 2024	*(339)*
EV Italgas Non regulated activities	58
Enterprise Value Italgas (31/03/2016)	**5,375**

Equity Value (€ million)	
Enterprise Value Italgas (31/03/2016)	**5,375**
RAB - 2015A-2016E weighted average	*5,656*
Surplus Assets	**222**
Minorities Italgas (31/03/2016)	**(1)**
Italgas Net financial debt (31/03/2016)	**(1,735)**
MtM debt Snam - Italgas (31/03/2016)	**(84)**
2015 Italgas not distributed dividends	**(275)**
2015 investee not distributed dividends	**14**
Equity Value Italgas (31/03/2016)	**3,516**
Equity RAB (cons.)+Equity RAB Ass.	**3,797**
Shareholders' equity 31/03/2016 Italgas	**2,785**
Equity Value - shareholders' equity premium (discount)	*26.3%*

Italgas ordinary shares (number)	252,263,314
Italgas Equity Value (31/03/2016)	**3,516**
Italgas Equity Value per share (€)	**13.9**

6. Update of evaluations as of 31 May 2016

Below is the summary of results of the application of the SOP and DCF methods with reference to the evaluation of Company's Equity Value.

Table 17: Summary of evaluations as of 31/03/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/03/2016)	**5,375**	**5,762**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/03/2016)	**3,516**	**3,903**
Equity RAB (cons.)+Equity RAB Ass.	3,797	3,797
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**13.9**	**15.5**

As indicated in Chapter 5 of this Opinion, this evaluation was performed - preliminarily - assuming as a reference the economic, asset and financial situation of the Company as of 31 March 2016 (to which the interim management report approved by the Company's Board of Directors on 9 May 2016 refers).

Then the evaluation was updated based on the results of the interim management report received by the Company on 17 June 2016. Below is the summary of evaluation results assuming as a reference the economic, asset and financial situation of the Company as of 31 May 2016.

Table 18: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

On 21 June 2016, the Company's Board of Directors approved the interim management of 31 May 2016, in the same version previously transmitted to us on 17 June 2016, as shown by the certification issued in this respect by the Company on 21 June 2016.

It is noted that following the update of economic-financial data of 31 May 2016, the evaluation of Equity Value of the Company does not show significant differences compared to that obtained using the economic, asset and financial situation of the Company as of 31 March 2016.

Therefore, for the purposes of this Opinion we used the Italgas Equity Values determined on the basis of the interim report of 31 May 2016.

7. Conclusions

Below is the summary of results obtained, with reference to 31 May 2016, from the application of the SOP and DCF methods for the evaluation of Company's Equity Value.

Table 19: Summary of evaluations as of 31/05/2016

Summary (€ million)	SOP	DCF
Italgas Enterprise Value (31/05/2016)	**5,374**	**5,725**
RAB - 2015A-2016E weighted average	5,656	5,656
Italgas Equity Value (31/05/2016)	**3,585**	**3,935**
Equity RAB (cons.)+Equity RAB Ass.	3,867	3,867
Italgas ordinary shares (number)	**252,263,314**	**252,263,314**
Italgas Equity Value per share (€)	**14.2**	**15.6**

As represented above, the application of SOP and DCF methods permits to identify a modest range of values (~6.3% in terms of Enterprise Value, ~9.3% in terms of Equity Value). Therefore, it appears reasonable to conclude that for the purposes, for which this estimate is prepared, it is possible to assume all the values included in the range defined by the minimal and maximal values corresponding respectively to the value resulting from the application of the SOP and DCF method, as represented in Table 20.

Table 20: value of Italgas stake being spun off

Spin-off (€ million)	SOP	DCF
Italgas Equity Value (31/05/2016)	3,585	3,935
Italgas ordinary shares (number)	252,263,314	252,263,314
Equity Value per share (€)	**14.2**	**15.6**
Spin-off stake	**52.90%**	**52.90%**
Spin-off ordinary shares (number)	**133,442,832**	**133,442,832**
Value of the stake being spun off	**1,896**	**2,082**

In view of the results and considerations presented, Colombo & Associati certifies that the value of the portion of capital represented by 133,442,832 ordinary shares being spun off, corresponding to 52.90% of the Company's capital, is between €1,896 million and €2,082 million.

Milan, 24 June 2016

Paolo Andrea Colombo

Colombo & Associati - Chairman of the Board of Directors