

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

SNAM S.p.A.

EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING OF 24 APRIL

2018

SINGLE CALL

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

ORDINARY SESSION

Item 3

Authorisation to purchase and dispose of treasury shares

**subject to revocation of the authorisation granted by the Ordinary Shareholders' Meeting
of 11 April 2017, for any part not yet implemented**

Dear Shareholders,

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

With a resolution passed on 11 April 2017, the Shareholders' Meeting authorised the purchase and disposal of the Company's treasury shares. The purchase authorisation had a duration of 18 months from the date of the aforementioned resolution and, therefore, will expire in the fiscal year 2018, while the authorisation for their disposal is granted with no time limits.

It seems appropriate to extend the Company's right to purchase treasury shares also beyond the

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deadline indicated above for the reasons better explained below.

It is therefore proposed that shareholders pass a resolution for a new authorisation to purchase and dispose of treasury shares in the terms outlined in this Report, subject to revocation of the resolution passed on 11 April 2017 for the part not yet implemented.

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

The Board of Directors considers it appropriate that the Shareholders' Meeting of the Company pass a resolution to authorize the purchase, even in one or more tranches, of shares of the Company pursuant to and for the effects of articles 2357 and 2357-ter of the Italian Civil Code and of art. 132 of the CLF (the “*Authorisation*”).

The purpose of the Authorisation request is to ensure the Company has an instrument available to it granting strategic and financial flexibility aimed at increasing the value for the Shareholder, also by improving the Company’s financial structure and through any subsequent cancellation of treasury shares without reducing the capital, to be resolved on at the first useful shareholders’ meeting, in compliance with the necessary corporate obligations.

In addition, the intention is to ensure the Company has treasury shares to be used:

- to promote liquid funds and actively manage volatility of the stock market performance of the Company’s shares, and, in particular, intervene on the performance of the securities in connection with contingent market situations, facilitating trades on the security at times of little market liquidity and facilitating the regular performance of contracts and, in any case, within the limits envisaged by current legislative and regulatory provisions as well as, where applicable, in compliance with market practice permitted in accordance with Art. 180, paragraph 1, letter c) of the CLF in connection with the activities implemented to support market liquidity;
- under the scope of actions connected with future industrial and financial projects in line with

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the strategic guidelines the Company intends to pursue, including by means of the exchange, loan, conferral, sale or other disposal of treasury shares for the acquisition of equity investments or share packages, for industrial projects or other operations of extraordinary finance that involve the assignment or arrangement of treasury shares (such as, merely by way of example, mergers, demergers, issues of convertible bonds to shares);

- and for the purpose of implementing any stock option plans of the Company and any future share incentive plans.

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

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

Authorisation is required to purchase treasury shares, in one or more tranches, for an outlay of up to 500 million euros and up to the maximum limit of 134,564,883 shares, without in any case exceeding 6.50 % of the share capital subscribed and freed up, taking into consideration the treasury shares already held by the Company. In any case the maximum number of treasury shares for which authorisation is required is lower than the maximum limit of treasury shares that the Company holds pursuant to art. 2357 of the Italian Civil Code, equating to 20% of the shares representing the share capital.

It is specified that on the date this Report was approved by the Board of Directors (13 March 2018) the Company's share capital amounted to 2,735,670,475.56 euros and was made up of 3,500,638,294 ordinary shares without nominal value, registered and fully paid-up, and that the treasury shares number 117,908,323, equating to 3.37 % of the share capital.

Should the proposal to pass a resolution to cancel a number of treasury shares between 26,985,698

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and 31,599,715 be approved, as per the item on the agenda of the extraordinary session, the Company's share capital will still amount to 2,735,670,475.56 euros, made up of a total number of ordinary shares without nominal value of between 3,469,038,579 and 3,473,652,596 and the remaining treasury shares will correspond to a share capital percentage of between 2.6175 % and 2.6210 %.

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

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

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

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

4) **Term of the authorisation**

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

Said 18 months term shall not apply to any disposal and/or use transaction of any treasury shares already included in the portfolio of the Company and of the share which may be bought under the buy back plan submitted to the Shareholders' Meeting.

5) **Minimum and maximum price**

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

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

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

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

6) Procedure through which the purchases will be carried out

The purchase transactions of treasury shares will be carried out according to the provisions of article 132 C.L.F., article 144-bis of the Issuer Regulation and any other applicable provision, including, if any, the market practices which are accepted and acknowledged by CONSOB. Pursuant to article 132 C.L.F. and the art. 144-*bis*, subsection 2, of the Issuer Regulation, the purchase transactions

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concerning your authorisation will be in any case carried out (even in multiple instalments) on the ESM under the operating procedures established in the regulations for the organization and management of the markets managed by Borsa Italiana S.p.A. (and in the relevant instructions) which do not allow for the direct matching of purchase orders with predetermined sell orders, under article 144-*bis*, subsection 1, letter b) of the Issuer Regulation or with the procedures established by market practice admitted by CONSOB pursuant to art. 13 of EU Regulation 596/2014, pursuant to art. 144-*bis*, subsection 1, letter d)-*ter* of the Issuer Regulation. The purchases may be performed according to a different procedure than those listed above if allowed by article 132, subsection 3, C.L.F. or by any other provision which is from time to time in force upon transaction.

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

Dear Shareholders,

we therefore propose to approve the following resolution:

1. to revoke the previous resolution to authorise the purchase of treasury shares passed by the Shareholders' Meeting on 11 April 2017, for any part not yet implemented, as of the date of this resolution;
2. to authorise the Board of Directors, and for it the Chief Executive Officer, with the right to delegate said powers, to purchase treasury shares, in one or more tranches, for the duration of 18 months from today's date, for a maximum outlay of 500 million euros and up to the maximum limit of 134,564,883 shares without in any case exceeding 6.50 % of the share capital subscribed

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and freed up, taking into consideration the treasury shares already held by the Company, by using the procedures laid down in art. 144-bis, subsection 1, letter b) of the Issuer Regulation or with the procedures established by market practice admitted by Consob pursuant to art. 13 of EU Regulation 596/2014, pursuant to art. 144-Bis, subsection 1, letter d)-ter of the Issuer Regulation, or according to a different procedure than those listed above if allowed by article 132, subsection 3, CLF or by any other provision which is from time to time in force at the time of the transaction. The price for the transactions to purchase treasury shares should not exceed 5% or be below 5% of the reference price measured on the Electronic Share Market organised and managed by Borsa Italiana S.p.A. (“*MTA*”) during the session held before each single transaction. In cases where the Company intends to support the liquidity of its shares according to the criteria established by the market practice under art. 180, subsection 1, letter c), of the CLF, concerning the activity supporting the market liquidity, accepted by Consob by means of resolution no. 16839 dated 19 March 2009, as amended or substituted over the duration of the authorisation, the purchase price will be established according to said admitted marked practice. All the above must be carried out according to the report annexed to this resolution and for the purposes described therein;

3. to authorise the Board of Directors and for it the Chief Executive Officer, with the right to delegate said powers, to carry out (in one or more tranches, without any time limit and even before having completed the purchases) any transfer of all or part of the treasury shares of the Company purchased under this resolution and also of the treasury shares already held by the Company. As regards the sale, disposal and/or use of the treasury shares, the Board of Directors and for it the Chief Executive Officer is hereby appointed with the mandate, with right to delegate any third party, to decide from time to time the criteria for establishing the relevant consideration and/or procedure, terms and conditions for the use of the treasury shares held in

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the portfolio, having considered the actual procedure for performing them, the evolution of the shared prices during the period preceding the transaction and according to the best interest of the Company, and said transactions shall be carried out both directly and through brokers, according to the domestic and EU laws and regulation. All the above must be carried out according to the report annexed to this resolution and for the purposes described therein.

Il Presidente del Consiglio di Amministrazione

Ing. Carlo Malacarne