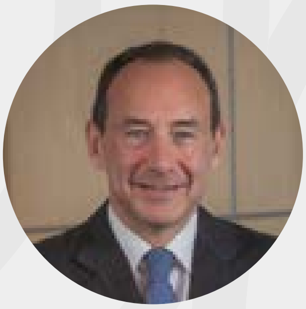
Letter to the shareholders and stakeholders



Luca dal Fabbro
Chairman

Marco Alverà
Chief Executive Officer

Dear shareholders and stakeholders,

2019 was a particularly positive year for Snam in terms of the results achieved, as well as a year packed with events.

The demand for gas continued to grow, closing 2019 at 74 billion cubic metres, also thanks to the greater competitiveness of gas in the generation of electricity, also in terms of CO_2.emissions as well.

In a regulatory context that confirmed the main reference parameters for the next period, with the goal of improving competitiveness and the security of gas procurement, we invested over €960 million in 2019 in infrastructure in Italy, complying with the budget forecasts for the twelfth consecutive year. We invested abroad in the realisation of the TAP project in which Snam is a shareholder with 20%, where the progress of the works stands at 90% and is expected to be completed by the end of 2020.

The interventions and initiatives aimed at transforming our infrastructure network focused on methane into an "energy" infrastructure for transporting renewable gas and in combination with the electricity grids continued during the year.

The Business Unit Energy Transition, dedicated to new green activities (biomethane, sustainable mobility and energy efficiency), was established with the goal of building our future by focusing on new businesses supporting energy transition. As part of this, in November Snam completed the acquisition of a stake of around 83% in Renerwaste, one of the leading companies in Italy operating in biogas and biomethane infrastructure, which took place through the new wholly-owned company Snam 4 Environment.

Snam also signed a binding letter of intent aimed at negotiating and defining agreements to launch a strategic partnership in infrastructure for biomethane from agriculture through the entry, with a 50% stake, into Iniziative Biometano, a company operating in Italy with five biogas plants, for which there is a plan for conversion to biomethane, and with various plants in the process of authorisation or construction. Thanks to these initiatives, Snam can increase its expertise in the management and running of plants both in the agricultural biomethane chain and the FORSU chain (organic fraction of municipal solid waste), perfectly complementary to the expertise in the design, development and construction of IES Biogas, the Snam subsidiary and leader in the creation of biogas and biomethane plants in Italy and abroad.

Investments in 2019 in the biomethane sector are integrated with those planned in natural gas sustainable mobility in Italy, rail transport as well as road and maritime transport. 103 CNG/L-CNG, biomethane and bio-LNG filling stations (50 stations at 31 December 2018) were contracted at 31 December 2019 through the subsidiary Snam 4 Mobility, the leader in solutions for natural gas transport refuelling stations. Agreements were signed with Tamoil, in March 2019, and with IP, in July, for the creation, respectively of 5 stations and 26 new natural gas refuelling facilities in Italy.

We continued to invest in the energy efficiency sector by gaining control of TEA Servizi, an ESCO (Energy Service Company) active in the design of thermohydraulic and electric plants and in the offering of energy saving solutions for public and private entities.

For Snam, 2019 was "the year of hydrogen": with the creation of the Hydrogen Business Unit, dedicated to the development of the hydrogen business and the launch, in April,of the first trial in Europe of a mixture of 5% hydrogen and natural gas introduced into the Snam transportation network at Contursi Terme (Salerno), doubling the mixture to 10% in December. Internationally, Snam is part of the Hydrogen Council, a global initiative launched in 2017 at the World Economic Forum in Davos to create a coalition of leading companies in the respective sectors committed to accelerating investments in hydrogen, and Hydrogen Europe, which brings together over 100 businesses, about seventy research institutes and 13 national associations at a global level.

Snam identifies hydrogen as a clean energy source which can have a crucial role in guaranteeing that European and global decarbonisation targets are reached by 2050 and the development of which can contribute to confirming the central role of the Snam network in the long-term.

Lastly, international efforts continued in markets where gas demand continues to have double-digit growth rates. In 2019 Snam Gas & Energy Services Beijing was established to develop our presence in the Chinese market: during the year, Snam signed a strategic cooperation agreement with CNPC - Petrochina, the nation's leading energy group, and started to provide services, mainly to support the development of storage capacity.

This is the Snam of the future, a leader in energy transition, with a technological high-profile and increasingly more connected with the area. Through the SnamTec Project (Tomorrow's energy company), we will invest more than €1.4 billion during the 2019-2023 plan to reduce the environmental impact of our activities through innovation and the contribution to decarbonisation.

To evolve in a rapidly changing world and continue to be a leader, we seek to operate in an increasingly agile and efficient manner, to optimise transversal processes whilst enhancing specific skills. It is from this perspective that we have focused on a flexible organisational model which, thanks to a shorter decision-making process, guarantees faster decision-making, to support the core business and promote the growth of the new businesses.

We simplified the organisation processes as part of the efficiency plan launched in the second half of 2016, for example with the integration of transportation and storage maintenance activities. This plan made it possible to improve quality and the time to market and to cut costs by around €15 million (around €51 million at a cumulative level for the period 2016-2019). Overall, the goal of the efficiency plan was increased further to more than €65 million at 2023 compared with the €60 million target of the previous plan.

In a context of rising gas consumption and a general stability of the regulatory environment, with the extension of the fourth regulatory period up to 2019 for the transport, regasification and storage business, we have achieved very positive results that surpass our expectations. The adjusted operating profit stood at €1,417 million, an increase of €12 million (+0.9%) compared with the 2018 adjusted operating profit (+€33 million, or 2.4% compared with the 2018 reported operating profit), also thanks to the savings achieved through the Efficiency Plan which made it partly possible to absorb the increase in operating costs, coming mainly from the change in the scope of consolidation. The net adjusted profit stood at €1,093 million, an increase of €83 million (+8.2%) compared with the adjusted net profit for 2018 (+€104 million, or 11% compared with the 2018 reported net profit). The net cash flow from operations (€1,486 million) allowed us to fully cover the financial requirements associated with net investments for the period, including equity investments and investments in new companies that joined the scope of the group, generating a free cash flow of €482 million. Net financial debt, after the payment to shareholders of the 2018 dividend (€746 million, between the balance and interim) and the cash flow deriving from the purchase of treasury shares (€39 million), stood at €11,923 million (€11,548 at 31 December 2018).

With the objective of aligning it financing strategy with its sustainability targets and expanding its investor base, in February Snam successfully concluded the issuing of the first Climate Action Bond in Europe, for a sum of €500 million, the proceeds of which will be used to finance our green investments in biomethane and in energy efficiency, as well as investments aimed at improving the environmental impact of Snam's activities.

In December 2019 we successfully concluded the buy back on the market of bonds for a total nominal value of approximately €597 million, supporting the virtuous cycle of optimising the debt structure in terms of reducing the cost of capital, in line with our objectives.

In addition to this, with the goal of further optimisation and to support the overall remuneration for shareholders, in 2019 we bought back a total of 8,412,920 treasury shares, or 0.25% of the share capital, as part of the share buy back programme.

Our commitment to ESG issues, integrated for several years in the strategic decision-making process, also continues. In this regard, since the new Board of Directors took office in April, we established, as the first in Italy and among the first in Europe, a committee specifically dedicated to ESG issues. As part of this Snam adopted a corporate policy on diversity and inclusion in 2019, promoted by the ESG board committee, aimed at disseminating a culture of equal opportunities among employees and contractors and, at the Shareholders' Meeting of 23 October, approved an amendment to the by-laws aimed at making the effects of the Golfo-Mosca Law on gender equality in corporate bodies permanent. Snam's efforts were recognised: since January 2020 we have been part of the 325 companies globally included in the Bloomberg 2020 Gender-Equality Index (GEI).

In June 2019 Snam was the best Italian company for corporate governance and the integration of ESG (environmental, social and governance) issues into corporate strategies, according to the annual Integrated Governance Index. Snam's commitment will continue in 2020 with strengthening a corporate model that is sustainable for all ESG factors, starting with those that have an impact on the climate and the environment, and defining a virtuous cycle in the direction of climate neutrality by 2050.

As a testament to our constant commitment to maintaining an adequate internal risk control and management system in line with international best practices, in May 2019, Snam was also mentioned in the document produced by the Japanese Chairman of B20 presented at the Tokyo Summit as a "Tangible Example" of companies that set themselves apart through their practical commitment in combating corruption and in October 2019 it became part of the Leadership Committee permanently representing the Business at the OECD (BIAC) in the Anti-corruption Committee.

In addition, in December 2019 Snam was admitted to the cooperative compliance regime established under the scope of national tax legislation.

As confirmation of our sustainable development model, we have renewed our allegiance to the Global Compact principles and the SDGs defined by the UN. The performances achieved in terms of ESG have allowed our Company to be included in the most prestigious sustainability indices. Snam was included for the eleventh consecutive year in the Dow Jones Sustainability World Index, as well as being confirmed in the top places in both the FTSE4Good and the CDP Climate Change.

Our commitment to strengthening culture and awareness of health and safety, vital for the outcome and success of our activities, and demonstrated by the low accident indices recorded both for employees and contractors (0.59 frequency index and 0.05 severity index) is also ongoing.

As far as the social dimension is concerned, we are continuing with the Snam Foundation initiatives for the social development of the areas. In October, over 700 Snam people dedicated a working day to voluntary initiatives in over 90 non-profit organisations throughout the country. In 2016-2019 the Snam Institute training hub provided more than 389 training hours to company employees. This represents a further tool for creating and cultivating closer ties with the area and better meeting the needs of the communities that house our infrastructures.

Looking to the future, the new strategic plan, announced last November, traces a route that will allow Snam to continue to grow and create significant value for shareholders, grasping and anticipating market developments and contributing to the reduction of CO^2 emissions, improving air quality and keeping down energy costs. Specifically, we are focusing on promoting the development, not only in Italy, of biomethane and other activities for energy transition. With new investments in the network, the focus on new technologies, the development of new businesses and sustainable finance initiatives, the Snam of 2023 will always be more innovative, efficient and a protagonist of energy transition in Italy and in Europe.

On the basis of the results achieved and the Company's prospects, the Board of Directors intends to propose to the Shareholders' Meeting the distribution of a dividend of €0.2376 per share, of which €0.095 per share has already been distributed as an interim payment in January 2020, confirming Snam's commitment to ensuring an attractive and sustainable remuneration over time for shareholders.

In the first months of 2020 in Italy, as in other countries of the world, a serious health crisis started due to the pandemic spread of coronavirus. Since the news of the first contagions in our country, Snam has set up an inter-functional team to manage the difficult moment and put in place, with the extraordinary contribution of all its people, the necessary actions to guarantee the continuity of the service and to ensure the country's energy security. Employees continued their work through the tool of smart working from home, with physical safeguards limited to the minimum necessary to guarantee operations. All thanks to the support from the necessary technological and IT resources. In addition to being close to our people, we also wanted to be close to our country by allocating, also through our Snam Foundation, a contribution of €20 million to carry out initiatives for the Italian health system and the third sector which, working in a way incessant and extraordinary, they found themselves facing a situation of extreme emergency.

18 March 2020

for the Board of Directors

The Chairman **The CEO**