BASE PROSPECTUS

ACEA S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€4,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg (the Luxembourg law of 10th July, 2005, as amended by the Luxembourg law of 3rd July, 2012, which implements the Prospectus Directive (the "**Luxembourg Prospectus Law**")), as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). Such approval only relates to Notes which are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange or other regulated markets for the purposes of Directive 2014/65/EU. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. The CSSF assumes no responsibility with regards to the economic and financial soundness of any transaction under this Programme or the quality and solvency of the Issuer in accordance with the provisions of Article 7(7) of the Luxembourg Prospectus Law.

Acea S.p.A. (the "**Issuer**" or "**Acea**") may issue Notes under the Programme to one or more of the Dealers named on page 8 and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**") which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall be, in the case of an issue of Notes to more than one Dealer, to the lead manager of such issue and, in the case of an issue of Notes to one Dealer, to such Dealer. Pursuant to the Programme, the Issuer may issue Notes denominated in any currency agreed with the relevant Dealer, subject to any applicable legal or regulatory restrictions. The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €4,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Issuer has been assigned a rating of "Baa2" by Moody's Investors Service Ltd ("**Moody's**") and "BBB+" by Fitch Italia S.p.A. ("**Fitch**"). Each of Moody's and Fitch is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Each of Moody's and Fitch appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority ("**ESMA**") website at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

EU BENCHMARKS REGULATION - Amounts payable under floating rate notes may be calculated by reference to either the Euro Interbank Offered Rate ("EURIBOR") or the London Interbank Offered Rate ("LIBOR"), as specified in the relevant Final Terms. As at the date of this Base Prospectus, EURIBOR is provided and administered by the European Money Markets Institute ("EMMI"), and LIBOR is provided and administered by ICE Benchmark Administration Limited ("ICE"). At the date of this Base Prospectus, EMMI and ICE are authorised as benchmark administrators, and included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR").

As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the administrators of EURIBOR and LIBOR are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The transitional provisions of Article 51 of the BMR apply until 1 January 2020.

Arrangers

Banca IMI **BNP PARIBAS** **UniCredit Bank**

Dealers

Banca IMI

Banco Bilbao Vizcaya Argentaria, S.A.

Barclays

BNP PARIBAS

Citigroup

Crédit Agricole CIB

Deutsche Bank

Goldman Sachs International

MPS Capital Services

Mediobanca

Morgan Stanley

Natixis

Société Générale Corporate & Investment Banking

UBI Banca S.p.A.

UniCredit Bank

The date of this Base Prospectus is 15 July 2019

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IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive.

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering,

sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, there are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and the Republic of Italy) and Japan.

Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

IMPORTANT – EEA Retail Investors

If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**").

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Programme limit

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed €4,000,000,000 and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered (or which has applied for registration and not been refused) under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Alternative Performance Measures

In order to better evaluate Acea's financial and operating performance, the management has identified several Alternative Performance Measures ("**APMs**"). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters.

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance indicators (the "**ESMA APM Guidelines**") which replace, as of 3 July 2016, CESR/05- 178b recommendations. This orientation was acknowledged in our system in CONSOB Communication no. 0092543 dated 3 December 2015.

In particular the following APMs as defined in the ESMA APM Guidelines are used by Acea:

- for the Acea Group, the gross operating profit (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding the Operative Result to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- the net financial position is an indicator of the Acea Group's financial structure, the sum of Non-current borrowings and Financial liabilities net of Non-current financial

assets (financial receivables excluding a part of receivables related to Acea S.p.A.'s IFRIC 12 and securities other than equity investments), Current borrowings and Other current financial liabilities net of current financial assets, cash and cash equivalents;

- net invested capital is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the net financial position; and
- net working capital is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the net financial position.

It should be noted that:

i. the APMs are based exclusively on Acea data and are not indicative of future performance;

ii. the APMs are not derived from IFRS and, as they are derived from the financial information of Acea taken from the consolidated financial statements as of and for the year ended 31 December 2018 prepared in conformity with these principles, they are not subject to audit;

iii. the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles; and

iv. the APMs should be read together with financial information for Acea taken from the consolidated financial statements of Acea as of and for the year ended 31 December 2018.

Since not all companies calculate APMs in an identical manner, the presentation of Acea may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, or a drawdown prospectus or a new base prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 (as amended or superseded) implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this section.

Issuer:	Acea S.p.A.
Issuer's Legal Entity Identifier:	549300Q3448N041CTH56
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Joint Arrangers:	Banca IMI S.p.A. BNP Paribas UniCredit Bank AG
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banca IMI S.p.A. Barclays Bank Ireland PLC Barclays Bank PLC BNP Paribas Citigroup Global Markets Europe AG Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Goldman Sachs International Mediobanca – Banca Di Credito Finanziario S.p.A. MPS Capital Services Banca per le Imprese S.p.A. Morgan Stanley & Co. International plc Natixis Société Générale

	Unione di Banche Italiane S.p.A. UniCredit Bank AG and any other Dealers appointed in accordance with the Dealer Agreement (as defined in "*Subscription and Sale*" below).
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. ***Notes having a maturity of less than one year*** Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.
Fiscal Agent and Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Programme Size:	Up to €4,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal and/or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer and as stated in the applicable Final Terms.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any

	laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
Form of Notes:	The Notes will be issued in bearer form, as described in "*Form of the Notes*" below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on such basis as may be specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Final Terms. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on such basis as may be specified in the applicable Final Terms.
Fixed to Floating or Floating to Fixed Rate Notes:	Interest may initially accrue at a fixed rate, and then switch to a floating rate, or interest may initially accrue at a floating rate and then switch to a fixed rate.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest, in each case as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons, upon a Change of Control or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders and/or at the option of the Noteholders upon giving notice to the Issuer, on a date or dates

	specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Final Terms will also indicate whether the Issuer has a Clean-up Call Option. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Certain Restrictions — Notes having a maturity of less than one year*" above) and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). If the Final Terms so specify, Notes may be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Relevant Jurisdiction as provided in Condition 11 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 11 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 12(c) (*Events of Default – Cross-default of Issuer or Subsidiary*).
Status of the Notes:	The Notes will constitute direct, general and unconditional obligations of the Issuer and will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Rating:	The Issuer has been assigned a rating of Baa2 by Moody's and BBB+ by Fitch. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to other Notes issued under the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be

subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the European Union and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the European Union but will be endorsed by a credit rating agency which is established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union but which is certified under the CRA Regulation, will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Approval, Admission to Trading and Listing:

This Base Prospectus has been approved by the CSSF. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. Such approval only relates to Notes which are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange or other regulated markets for the purposes of Directive 2014/65/EU.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

	Pursuant to Article 18 of the Prospectus Directive, the CSSF may at the request of the Issuer, send to the competent authority of another European Economic Area Member State and the ESMA (i) a copy of this Prospectus; and (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive (an "**Attestation Certificate**").
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by and shall be construed in accordance with English law. Condition 16 (*Meetings of Noteholders; Noteholders' Representative; Modification and Waiver*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and the Republic of Italy), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D applicable/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these risk factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the risk factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with Notes issued under the Programme may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including, without limitation, any documents incorporated by reference herein) and reach their own views prior to making any investment decision, based upon their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary.

Words and expressions defined in "Terms and Conditions of the Notes", or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Risks relating to the industries in which the Group operates

The evolution in the legislative and regulatory context for the electricity, waste and water sectors poses a risk to the Group

The Group operates mainly in regulated markets and changes in applicable legislation and regulation, whether at a national or European level, as well as in the regulations adopted by specific regulatory agencies, including the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti Ambiente* – "**ARERA**" or the "**Authority**" – formerly *Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico* – "**AEEGSI**"), and the manner in which they are interpreted, could impact the Group's earnings and operations positively or negatively, both through the effect on current operations and also through the impact on the cost and revenue-earning capabilities of current and future planned developments in the business. Such changes could include changes in tax rates, changes in environmental or safety or other workplace laws, or changes in the regulation of cross border transactions. Public policies related to water, waste, energy, energy efficiency and/or air emissions, may impact the overall markets in which the Group operates.

The Group operates its business in a political, legal, and social environment which is expected to continue to have a material impact on the performance of the Group. The regulations of a particular sector may affect many aspects of the Issuer's and the Group's business and, in many respects, determines the manner in which the Group conducts its business and the fees it charges or obtains for its products and services.

The nature of its business exposes the Group to the risk of non-compliance with the consumer protection rules set forth under Legislative Decree No. 206 of April 6, 2005, including, *inter alia*, the prohibition of unfair commercial practices and misleading advertising.

Moreover, the Group is subject to the rules governing territorial planning and management of the integrated water service, including those relating to the reorganization of the regulation of local public services with economic relevance (the "MADIA reform", implemented, *inter alia*, through Legislative Decree No. 175/2016, as amended by Law Decree No. 100 of 16 June 2017, which sets forth provisions on publicly owned companies) and those relating to environmental matters (e.g., the provisions of Law No. 221 of 28 December 2015 on the so-called *collegato ambientale*), whose violation may trigger the application of administrative and/or criminal penalties.

In addition, the Group is exposed, *inter alia*, to risks concerning data protection law, especially following the introduction of Regulation (EU) 2016/679 ("**GDPR**"), although the Group is conducting a survey of the most sensitive internal procedures in terms of the data protection and aims at implementing the principles of GDPR in its privacy policy.

Any new or substantially altered rules and standards may adversely affect the Group's revenues, profits and general financial condition and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group is dependent on concessions from local authorities for its regulated activities

For the financial year ended 31 December 2018, the Group's regulated activities (integrated water services, distribution of electricity and public lighting) accounted for approximately 77 per cent. of the Group's EBITDA.

The regulated activities (integrated water services, distribution of electricity and public lighting) are dependent on concessions from local authorities that vary in duration across the Group's business areas.

In the case of expiry of a concession at its stated maturity date as well as in the case of early termination for any reason (including the failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate the concession until it is replaced by the new incoming concession holder. Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for non-performance or default under the relevant concession. Failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left not remedied, lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. However, in the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession-agreement.

Law No. 164 of 11 November 2014 (the so-called *Legge* "*Sblocca Italia*") introduced material new provisions concerning the valorisation of assets in case of succession among integrated

water services concession holders, by providing that the exiting concession holder will be entitled to the final value of the managed assets net of any amortisations, in accordance with the procedures and the criteria set forth by the relevant regulator (ARERA).

Legislation in Italy could also affect the expiry date of certain concessions. See "*The evolution in the legislative and regulatory context for the electricity, waste and water sectors poses a risk to the Issuer*" above.

Moreover, with respect to the current waste regulatory framework, absent any indication on how regulations will be introduced, it is not possible to predict the implications for industry operators.

No assurances can be given that the Group will enter into new contracts to permit it to engage in the businesses described above after the related contracts expire, or that any new contract entered into or renewals of existing contracts will be on terms similar to those of its current contracts. The Group's failure to enter into new contracts or renew existing contracts, in each case on similar or otherwise favourable terms, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Regulation of local public services and expiry of concessions

Legislation regulating local public services of economic importance was affected by the outcome of the law-repealing referendum (*referendum abrogativo*) held in Italy on 12 and 13 June 2011 (the "**Referendum**").

The Referendum repealed Article 23-*bis* of Law Decree No. 112 of 25 June 2008 (converted with amendments into Law No. 133 of 6 August 2008), as amended by Article 15 of Law Decree No. 135 of 25 September 2009, an emergency legislative measure taken by the Italian government to implement a decision of the European Court of Justice (converted into Law No. 166 of 20 November 2009) ("**Article 23-*bis***").

Article 23-*bis* provided that, for companies whose shares were listed on a stock exchange prior to 1 October 2003 (such as the Issuer) and their subsidiaries, any local concessions (as opposed to national concessions) granted at that date without a tender and with the exception of concessions in the gas distribution sector (to which Article 23-*bis* was not applicable) would expire at the date provided by the relevant contract, upon the condition that the participation held by public entities in such companies would be reduced below certain thresholds by 30 June 2013 and 31 December 2015. Otherwise, the relevant contracts would be terminated respectively on 30 June 2013 and 31 December 2015, without the need for a formal decision to be handed down by the awarding authority.

To fill the legislative gap created by the outcome of the Referendum, a series of regulations contained in Law Decree No. 138 of 11 August 2011 were enacted - the so-called "**Stabilisation Decree**" - as converted by Law No. 148 of 14 September 2011 ("**Law 148/2011**"). As a consequence of the appeal filed by a number of regional administrations against these provisions, the measures were affected by Decision No. 199 taken by the Italian Constitutional Court on 17 July 2012 which declared them, in part, constitutionally unlawful, because they had re-introduced provisions analogous to those provided under Article 23-*bis*, which had been previously repealed by the Referendum.

Following such decision, while the legislation regarding the management of local network public services on the basis of optimal and homogeneous territorial ambits and rewarding mechanisms for the assignment of the management of the services by public tender remained in force (as per Article 3-*bis* of Law 148/2011), the provision relating to the early termination of the concessions that do not comply with Law 148/2011 (as per Article 4 of Law 148/2011) is no longer applicable.

In this respect, pursuant to Article 34, paragraphs 20-26 of Law Decree No. 179 of 18 October 2012 (the so-called "**Growth Decree 2**"), converted by Law No. 221 of 17 December 2012, the concessions granted to companies whose shares were listed on a stock exchange prior to 1 October 2003 and their subsidiaries will terminate according to the terms originally set forth in the relevant concession agreements or any ancillary documents. If the concession agreement does not specify the expiry date of the concession, the concession shall expire not later than 31 December 2020, without the need for a formal decision to be handed down by the relevant awarding authority.

In light of the above, the laws and regulations in force as at the date hereof (namely, Article 34 of the Growth Decree 2) provide that companies managing certain public services in the concession regime (such as the Issuer and its subsidiaries) will maintain the relevant concessions until (i) the scheduled maturity date set forth in the relevant concession agreement or (ii) 31 December 2020, if the relevant concession agreement does not set forth the concession's expiry date.

The expiry of any concessions currently held by the Group may adversely affect the Group's business, results of operations and financial condition, with a consequent adverse impact on the market value of the Notes and the Issuer's ability to repay the Notes in full at their maturity.

For further details and information on the Referendum and the regulations adopted subsequent thereto by the Italian legislator, see "*Regulatory*" below.

The Issuer's ability to achieve its strategic objectives could be impaired if it is unable to maintain or obtain the required licences, permits, approvals and consents

In order to carry out and expand its business, the Issuer needs to maintain or obtain a variety of licences, permits, approvals and consents from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly.

If the Issuer is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group is exposed to revisions of tariffs in water and energy sectors

The ACEA Group mainly operates in regulated markets. Changes to rules in these markets, as well as regulations and obligations, can have a significant effect on the Group's results and operating performance. Therefore, the Group is exposed to a risk of variation in the tariffs applied to end users.

In 2011, Law Decree No. 201 of 6 December 2011 (the "**Save Italy Decree**") ordered the abolition of the national agency for regulating and supervising water matters, providing that the related functions and intrinsic financial and instrumental resources should be transferred to the ARERA and the Ministry for the Environment.

Following this change in legislation, in the water sectors, the tariffs payable by customers (as proposed by the competent district authorities within each district) must be approved by the ARERA. Through Resolution No. 654/2015/R/eel, the ARERA approved the applicable tariff method for the fifth regulatory period commencing on 1 January 2016.

Territorial and governance regulations relating to the integrated water service were affected by specific amendments in 2014 by Legislative Decree 133/2014 (the "**Unlock Italy Decree**") and Law 147/2013 (the "**Stability Law**") as well as in 2015 mainly with reference to the reorganisation of local public service regulations of economic relevance (Madia Reform) and the environment with the so-called Green Economy Annex.

In 2015, there was a period of intense confrontation between operators and the ARERA for the formulation of the new tariff rules for the years 2016 onwards. The new tariff methods were established by Resolution 664/2015/R/Idr (**M1/MTI2**) for the water sector and Resolution 654/2015/R/eel for the electricity sector.

As explained in more detail below, these resolutions modified some of the most important reference elements needed to build the new tariff determinations, such as the recognition for the cost of capital invested and other specific tariff items.

Despite ARERA's intentions to provide the new methods with greater stability and clarity, some of the new guidance increased the tariffs, regulatory risks and unpredictability. The Issuer has represented, through legal appeal, its willingness to protect its business and create value for its stakeholders in relation to the more controversial aspects of the new tariff regulation, especially in the water regulation.

The two new tariff methods have homogenised water and electricity tariffs to a certain extent, making both of these subject to exogenous variations which are not so easily predictable, since the components are adjusted by ARERA with reference to regulatory periods of four years and with possible revisions every two years (2016-2017 and 2018-2019 periods).

With respect to the water tariff, certain parameters relating, *inter alia*, to inflation rates, external variables and operating costs were amended in 2017 to determine the 2018-2019 tariffs. See "*Regulatory – Resolution 918/2017/R/IDR - Biennial update of the tariff arrangements of the integrated water service*".

Certain parameters for the determination of the electricity and gas tariffs and relating to the weighted average cost of capital ("**WACC**") will be revised in 2018 for the update of the 2019-2021 tariff. The WACC period for electricity and gas tariffs lasts six years and, pursuant to Resolution 583/2015/R/com, certain parameters have to be reviewed before the beginning of the second part of the period (including the Risk Free Rate and the Country Risk Premium) in order to align them with the current market conditions. See "*Regulatory – Resolution 583/2015/R/com – Rate of return on net invested capital for infrastructure services in the electricity and gas sectors: criteria for calculating and updating*".

Should any such changes and uncertainties result in decreases of the tariffs, it could have an impact on the business of ACEA, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group is exposed to the risk of increases and variations in the cost of fuel, electrical energy, natural gas or other raw materials, or disruption in their supply; it is also exposed to the risk of decreases in the prices obtained for its electricity and to risks connected with its hedging strategies

In the ordinary course of business, the Group is exposed to the risk of increases and variations in the cost of fuel, electrical energy, natural gas or other raw materials, or disruption in their supply, which could significantly affect the Group's result. It is also exposed to the risk of decreases in the price obtained for its electricity.

A wholly-owned subsidiary of the Issuer carries out the risk management activities of the Group with respect to the commodities market. The analysis and management of risks is carried out by a risk management unit according to a two-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily). The risk management activities of the Group in the commodities market are carried out, *inter alia*, by means of forward contracts.

In addition, the Group monitors and analyses key drivers and develops sensitivity analysis on the margins of the Group as a result of the impact of changes in the cost of raw materials and fuel.

Nevertheless, the Group has not eliminated its exposure to these risks, and significant variations in fuel, raw material or electricity prices or any interruption in supplies could have a material adverse impact on the business prospects, results of operations and financial condition of the Issuer and the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The hedging strategies pursued by the Group may create new risks and exposures and the Issuer cannot offer any assurance that they will function as intended. In addition, hedging contracts for the price of electricity and/or fuel are available in the market only for limited durations. Any hedging effect will not protect the Issuer and/or the Group against prolonged price movements.

Natural disasters, service interruptions, systems failures, water shortages or contamination of water supplies as well as other disruptive events could adversely affect profitability

The Group controls and operates utility networks and maintains the associated assets with the objective of providing a continuous service. In exceptional circumstances, electricity, gas or water shortages, or the failure of an asset, an element of a network or supporting plant and equipment, could result in the interruption of service provision or catastrophic damage resulting in significant loss of life and/or environmental damage and/or economic and social disruption. Water shortages may be caused by increases in demand, below average rainfall or other environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of a water shortage, the Group may incur additional costs in order to provide emergency reinforcement to supplies.

Water supplies may be subject to the risk of low quality spring water, interruption or contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made sources or third parties' actions. The Group could be held liable for human exposure to hazardous substances in its water supplies or other environmental damage. The Group could be fined for breaches of statutory obligations, including the obligation to supply drinking water that is wholesome at the point of supply, or held liable to third parties, or be required to provide an alternative water supply of equivalent quality, which could increase costs.

Moreover, significant damage or other obstruction to the waterworks facilities, including multipurpose dams and water supply systems, managed by the Issuer's subsidiaries could result from (i) natural disasters, floods and prolonged droughts; (ii) human error in operating the waterworks facilities, including multi-purpose dams and water supply systems; and (iii) industrial strikes.

The Group maintains insurance against some, but not all, of these events but no assurance can be given that its insurance will be adequate to cover any direct or indirect losses or liabilities it may suffer.

An additional risk arises from adverse publicity that these events may generate and the consequent damage to the Issuer's and the Group's reputation.

Such events may have an adverse impact on the Group's business, operating results and financial position and could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer is exposed to operational risks through its ownership and management of power stations, waste management and distribution networks and plants

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, waste management assets and distribution networks and plants. These plants and networks are exposed to risks that can cause significant damage to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. In particular, the Group's distribution networks are exposed to malfunctioning and service interruption risks which are beyond its control and may result in increased costs. The Issuer's insurance coverage may prove insufficient to fully compensate for such losses.

The Group's distribution networks are also exposed to risks relating to: (i) the effectiveness of investments carried out for the replacement/renewal of grids, in terms of the expected effects on the improvement of service continuity indicators; (ii) the quality, reliability and duration of works; and (iii) the Group's ability to meet the conditions for obtaining required authorisations, with regards to the construction and start-up of plants and the performance of work, according to the need to develop and enhance the plants. The Group's waste-to-energy plants, and, to a lesser extent, waste treatment plants are highly complex from a technical point of view, and require the Group companies to employ qualified personnel and adopt organisational structures with a high level of know-how, and therefore may give rise to risks related to the performance continuity of the plants. Furthermore, the plants and related activities are designed to handle certain types of waste. If the incoming material is inadequate and does not meet the necessary

specifications, this could lead to operational problems which may compromise the operational continuity of the plants and give rise to risks of a legal nature.

The Issuer believes that its systems of prevention and protection within each operating area, which act according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and its use of tools for transferring risk to the insurance market enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its owned or managed plants or networks.

However, notwithstanding the foregoing, there can be no guarantee that maintenance and spare part costs will not rise, that insurance products will continue to be available on reasonable terms or that any one event or series of events affecting any one or more plants or networks will not have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group faces risks relating to the variability of weather

Electricity and natural gas consumption levels change significantly as a result of climate change. Changes in the weather can produce significant differences in the clients' demand for energy and gas. Furthermore, adverse weather conditions can affect the regular delivery of energy due to network damage and any resulting service disruption. For instance, low rainfall and high temperatures may lead to depletion of water sources which, combined with higher water consumption, may cause a water deficit in some periods. In addition, prolonged drought periods can affect the regular production of water resources and may result in an increase in energy consumption. Significant changes of such nature could adversely affect the business prospects, results of operations and financial condition of the Issuer and/or the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group has exposure to credit risk arising from its commercial activity

Credit risk represents the Group's exposure to potential losses that could be incurred if commercial counterparts fail to meet their debt obligations.

In order to control such risk, a central Group credit policy defines guidelines to be applied by the subsidiaries concerning the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of suitable reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. The credit risk assessment is tailored on the type of client (*i.e.*, public or private) and on the performance score, which is calculated on the basis of the customer's credit behaviour. Standard default interest is charged on late payments.

Notwithstanding the foregoing, a single default by a major counterparty, and/or an increase in current default rates by counterparties generally, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group's operations are subject to extensive environmental laws, rules and regulations which regulate, among other things, air emissions, water discharges and the management of hazardous and solid waste

Compliance with environmental laws, rules and regulations requires the Group to incur significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The cost of compliance with existing and future environmental law requirements may increase in the future. Any increase in such costs, unless promptly recovered, could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group may incur significant environmental expenses and liabilities

Risks of environmental and health and safety accidents and liabilities are inherent in many of the Group's operations. Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented throughout the Group to ensure the safety of its operations are of a high standard, it is always possible that incidents such as blow-outs, spillover, contamination and similar events could occur that would result in damage to the environment, workers and/or local communities.

The Group has accrued risk provisions to cover existing environmental expenses and liabilities. Nevertheless, it is possible that in the future the Group may incur significant environmental expenses and liabilities in addition to the amounts already accrued owing to: (i) unknown contamination; (ii) the results of ongoing surveys or surveys that will be carried out in future on the environmental status of certain of the Group's industrial sites as required by the applicable regulations on contaminated sites; and (iii) the possibility that disputes might be brought against the Group in relation to such matters.

Any such increase in costs could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group faces increasing competition in the energy and gas markets

The energy and gas markets in which the Issuer and the Group operate are subject to increasing competition in Italy. In particular, in the electricity and gas businesses, the Group competes with other producers and traders from both Italy and outside of Italy who sell electricity and gas in the Italian market for industrial, commercial and residential usage.

An increase in competition could have an impact on the prices paid or achieved in the Issuer's electricity production and trading activities, which in turn could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Further risks relating to the Issuer and/or the Group

Risks related to the impact of the global financial crisis

The performance of the Group is influenced by Italian and international macroeconomic conditions and the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of Italy and the other geographical areas in which the Group conducts its activity.

Overall, 2017 was characterized by a global economic recovery. In the Eurozone, the overall positive scenario hides different trends of the member states' economies, although differences have lessened over the course of the last few quarters. In the favourable international and European scenario, Italy recorded a period of economic recovery, increasing its gross domestic product ("**GDP**") compared to previous recent years. Although still wide, the gap with the best performing economies of the Eurozone was reduced in 2017.

In addition, an inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian president and a coalition government was finally formed at the beginning of June 2018. This resulted in market instability and the economic implications of the policies of the new Italian government remain uncertain.

Nevertheless, a number of uncertainties remain in the current macroeconomic environment, namely: (a) trends in the economy and the prospects of recovery and consolidation of the economies of countries like the US and China, which have shown consistent growth in recent years; (b) the outcome of the commercial dispute between the US and China, which could have an effect on international trade and therefore global production; (c) future development of the European Central Bank's ("**ECB**") monetary policy in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (c) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (d) the consequences and potential lingering uncertainties caused by the Brexit vote.

All of these factors, in particular in times of economic and financial crisis, could result in an increase in the Issuer's and/or the Group's borrowing costs, which could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The changes to the overall economic situation caused by the economic crisis could have a significant adverse impact on the Group's businesses and their profitability

The economy in Italy, the Group's principal market, has been affected in recent years by a significant slowdown and also by significant increases in energy prices, resulting in an increased focus on energy saving, as well as an increased focus in terms of legislative and regulatory policies. The Issuer expects that, in the near future, demand for energy may remain below the levels observed before the economic crisis. In addition, the decrease in demand for energy has put pressure on sales margins also due to greater competition. If demand continues to be negatively affected or if there is another reversal in demand without corresponding adjustments in the margins charged by the Group on its sales or without increases in its market share, then the Group's revenues would be reduced and future growth prospects would be limited. This could adversely affect the Group's business, results of operations and financial

condition and those of its Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

In addition, changes in retail electricity consumption could require the Group to acquire or sell additional electricity on unfavourable terms. Consumption may vary substantially according to factors outside of the Group's control, such as overall economic activity and the weather. Sales volumes may differ from the supply volumes that the Group had expected to utilise from electricity purchase contracts. Differences between actual sales volumes and supply volumes may require the Group to purchase additional electricity or sell excess electricity, both of which are themselves subject to market conditions, which may change according to multiple factors, including weather, plant availability, transmission congestion and input fuel costs. The purchase of additional electricity at high prices or sale of excess electricity at low prices could adversely affect the business, results of operations and financial condition of the Issuer and its Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Risks related to national and international political instability

The dynamics described in the previous paragraphs and the consequent effects on the Issuer's activities are influenced by the international and Italian socioeconomic context and its impact on financial markets.

Italy is the Issuer's primary market and its business is therefore sensitive to adverse macroeconomic and political conditions in Italy.

A return to declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy could decrease consumer confidence and investment and may cause a reduction in demand for our services. Any of the foregoing could have an adverse effect on the business, results of operations and financial condition of the Issuer and its Group.

One of the elements creating economic uncertainty is the political situation in Italy. An inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian President and a coalition government was finally formed at the beginning of June 2018.

Italy's government submitted to the European Commission its draft 2019 budget that includes plans to increase spending. The EC rejected the proposed budget for 2019 and requested the Italian government to review it. At the end of December 2018, after a period marked by tensions between the European Commission and Italy's government, an agreement was reached on the basis of a lower deficit.

The economic implications of the policies of the new Italian government remain uncertain. Political instability, if material, could negatively affect the country's economic recovery, and it cannot be ruled out that such could have a material adverse effect on the business, results of operations and financial condition of the Issuer and its Group.

Risks related to the structure of the Group

The Issuer's business is conducted through direct and indirect subsidiaries. All corporate and staff services are fully centralised at parent company level whereas sector-specific technical and commercial expertise is mainly held at the operating subsidiary level. Therefore, the Issuer has service contracts which are periodically updated and priced at market value with all its subsidiaries that formally set forth the intercompany relationships and also implement a cash-pooling system which enables the Group to optimise the use of surplus funds of all subsidiaries in the Group in order to reduce external debt and increase liquidity.

Any reduction or delay in such payments could have an adverse effect on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer's subsidiaries have no obligation, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to enable it to pay any amounts due under the Notes.

The Issuer's subsidiaries have other liabilities, including contingent liabilities. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the relevant subsidiary and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it will be structurally subordinated to the prior payment of all debts and other liabilities of the Issuer's direct and indirect subsidiaries.

The Group is subject to interest rate risk arising on its financial indebtedness

The Group is subject to interest rate risk arising on its financial indebtedness, which varies depending on whether such indebtedness is fixed or floating rate. The Group manages its interest rate risk through the periodic analysis and control of positions based on its specific needs, in order to stabilise funding costs and cash flows and meet margin targets. Such interest rate risk management involves a daily activity in the markets in order to hedge the relevant exposure in the medium/long term, and not for trading purposes. There can be no guarantee that the hedging policy adopted by the Group, which is designed to minimise any losses connected to fluctuations in interest rates in the case of floating rate indebtedness by transforming them into fixed rate indebtedness, will actually have the effect of reducing any such losses. To the extent it does not, this could adversely affect the Group's business, results of operations and financial condition, with a consequential adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

A downgrade of the Issuer's credit ratings may impact its funding ability

As of the date hereof, the Issuer's long-term credit rating is Baa2 with a "stable outlook" from Moody's Investors Services Ltd. ("**Moody's**") and BBB+ with a "stable outlook" from Fitch Italia S.p.A. ("**Fitch**").

Moody's and Fitch are established in the European Union and are registered under the CRA Regulation. As such, Fitch and Moody's are included in the list of credit ratings agencies

published by the ESMA on its website available (*www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation.

The Issuer's future ability to access the capital markets, other financing instruments and related costs may depend, *inter alia*, on the rating assigned to the Issuer.

Accordingly, a downgrade of any the ratings of the Issuer as well as a downgrade of the sovereign credit rating of Italy may result in higher funding and refinancing costs for the Group in the capital markets, which in turn may have an adverse impact on the Group's competitive position, and may have an adverse effect on the Group's standing in the market. This could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Risks related to legal proceedings

The Issuer and the Group are party to a number of proceedings arising in the ordinary course of business. The Issuer has made provision in its consolidated financial statements for contingent liabilities related to particular proceedings in accordance with the advice of internal and external legal counsel. Notwithstanding the foregoing, the Group has not recorded provisions in respect of all of the proceedings to which it is subject. In particular, it has not recorded provisions in cases in which it is not possible to quantify any negative outcome and in cases in which it currently believes that negative outcomes are not likely. There can be no assurance, therefore, that the Group will not incur significant losses in connection with pending legal proceedings due to: (i) uncertainty regarding the final outcome of such proceedings; (ii) the occurrence of new developments that were not known to management when evaluating the likely outcome of proceedings; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses.

Adverse outcomes in existing or future litigation could have adverse impacts on the financial position and results of operations of the Group and consequently an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity. For further information on the principal legal proceedings that the Group is currently involved in, see "*Description of the Issuer — Litigation*".

Risk management policies, procedures and methods may leave the Group exposed to unidentified or unanticipated risks

The Group has invested significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that Group fails to identify or anticipate.

Any failure to adequately identify or anticipate risk could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer's historical consolidated financial and operating results may not be indicative of future performance

The Issuer's historical consolidated financial and operational performance may not be indicative of the Issuer's future operating and financial performance. There can be no assurance of the Issuer's continued profitability in future periods.

IFRS 16 Leases

The standard IFRS 16 was issued in January 2016. It replaces the previous standard on leases, IAS 17 and the related interpretations and identifies the criteria for the recognition, measurement, presentation and disclosures to be provided with reference to lease agreements for both the lessor and the lessee. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements). The right to use the leased asset ("Right of Use") and the commitment made will result from financial data in the financial statements.

IFRS 16 will apply to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase. The main novelty is the introduction of the concept of control within the definition. More specifically, in order to determine whether a contract is a lease, IFRS 16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There will be no accounting symmetry with the lessor, which will continue to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease – on the basis of current guidelines. On the basis of this new model, the lessee shall recognise:

(a) in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value; and

(b) in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

On the lessor's side, the new standard must have a minor impact on the financial statements, unless the so-called "sub-leases" are implemented, as the current accounting will not change, except for the financial disclosure that must be quantitatively and qualitatively higher than the previous one. The standard, which ended its endorsement process in October 2017, applies from 1 January 2019.

In the context of the first application of the standard the Group undertook an analysis starting from 1 January 2019, currently in the finalisation phase and which may be subject to changes. The transition approach that will be applied will be a modified retrospective and therefore the contracts whose leases – including renewals – will end within twelve months from the date of first application will not be included.

The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to consider these contracts as a lease. The economic and financial related effects of the implementation of IFRS 16 have been estimated and disclosure was included in the financial statements for the year ended 31 December 2018.

Investors should be aware that implementation of the IFRS 16 may have a material adverse effect on the financial condition and/or results of operations of the Issuer and/or of the Group.

The Issuer may incur costs in re-tendering for large hydroelectric concessions

By way of Law Decree No. 83 of 22 June 2012 (the so-called "**Development Decree**"), the government issued certain regulations designed to facilitate the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provides that five years prior to the expiration of a large hydroelectric concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large hydroelectric concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment. The criteria taken into consideration in assigning the concession shall be principally the pecuniary offer made in order to acquire the use of the water resources and the commitment to increase the installed power or the energy produced, and shall also include the improvement and environmental restoration of the relevant catchment area, the territorial compensation measures and the extent and quality of the plan of action set out in order to ensure conservation of the reservoirs' capacity.

In addition, in relation to large hydroelectric concessions which have either already expired or are due to expire before 31 December 2018 (in relation to which the aforementioned five-year limit would not be applicable), the new provisions have established a special transitional regime, under which the relevant tenders must be called within two years of the effective date of the implementing ministerial decree (under Article 12, paragraph 2 of Legislative Decree No. 79 of 16 March 1999), and the new concession will start at the end of the fifth year following the original expiry date and in any case no later than 31 December 2017.

Article 37 of the Development Decree further establishes that the outgoing concession holder has to transfer its relevant division responsible for carrying out operations relating to such concession to any new concession holder. The consideration to be paid to the outgoing concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority, to be expressly indicated in the tender notice. In order to compensate the out-going concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the re-valued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. If no agreement can be reached between the out-going concessionaire and the granting administration on the amount of consideration, such amount shall be established by means of an arbitration procedure.

In the last two years Acea Produzione, a subsidiary active in the power generation field, participated on behalf of the Group in a discussion between the institutions and the main power generation association on the rules governing the agreement between the outgoing concession holder and the new operator.

The Group currently holds nine hydroelectric concessions, for a total installed capacity of approximately 120 MW, maturing between 2015 and 2026. Should the Group be required to re-tender for large hydroelectric concessions, this could result in the Group losing the

hydroelectric concessions or incurring significant costs in the tender process, either of which could have an adverse impact on the market value of the Notes and/or the Issuer's ability to pay interest on the Notes or to repay the Notes in full at maturity.

There can be no assurances of the success of any of the Group's future attempts to acquire additional businesses or of the Group's ability to integrate any businesses acquired in the future

The Issuer's business strategy involves investments in its core businesses and may also involve the acquisition of additional businesses. The success of this strategy depends in part on the Issuer's ability to successfully identify and acquire, on acceptable terms, suitable companies and other assets and, once acquired, on the successful integration of these into the Group's operations, as well as its ability to identify suitable strategic partners and conclude suitable terms with them.

An inability to implement such strategy or a failure in any particular implementation of the same, as well as the need for significant further investments in order to achieve such implementation, could have an adverse impact on the Group's business, financial position and results of operations and consequently on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or repay the Notes in full at their maturity.

The United Kingdom leaving the European Union may affect the Group's results

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union. Under Article 50 of the 2009 Lisbon Treaty ("**Article 50**"), the UK will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the UK) unanimously decides to extend this period. On 29 March 2017, the UK formally notified the European Council of its intention to leave the EU. On 15 December 2017, the European Council declared the first phase of the negotiations with the United Kingdom concluded and started preparations to engage in preliminary and preparatory discussions on the second phase, which will involve, among other things, future economic cooperation between the European Union and the United Kingdom.

The European Union and the United Kingdom have agreed a further delay of the withdrawal of the United Kingdom from the European Union until 31 October 2019. Considering the negotiations between the parties and the position taken up to now by the Parliament of the United Kingdom of Great Britain and Northern Ireland, it is not possible to determine the exact impact that "Brexit" may have on the business of the Group.

Significant political, social and macroeconomic uncertainty in relation to the United Kingdom's and the European Union's economic and political prospects still persist. No assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Change of Control

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 9(g) (*Redemption and Purchase - Redemption at the option of Noteholders upon a Change of Control Put Event*), under certain circumstances each Noteholder will have the right to require the Issuer to redeem its Notes at its principal amount or such other amount as may be specified in the relevant Final Terms ("**Change of Control Redemption Amount**"). It is possible, however, that the Issuer will not have sufficient funds to redeem the Notes at the time that a Change of Control Put Event in respect of the Issuer occurs. If sufficient funds are not available to the Issuer for the purposes of carrying out the redemption, Noteholders may receive less than the principal amount of the Notes should they elect to exercise their right to redeem. Furthermore, if such a right to redeem is exercised by the Noteholders, this might adversely affect the Issuer's financial position.

The Notes do not restrict the amount of debt which the Issuer may incur

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's

unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 5 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will, in respect of such assets, rank in priority over the Notes and other unsecured indebtedness of the Issuer.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features, distinguishing between factors which may occur in relation to any Notes:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, with respect to the Clean-up Call Option (Condition 9(e) (*Redemption and Purchase – Clean-Up Call Option*)), there is no obligation on the Issuer to inform investors if and when 80 per cent. or more of original aggregate principal amount of the relevant Series of Notes has been redeemed or is about to be redeemed, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

The value of fixed rate Notes may change

Investment in Notes which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the market value of the relevant Tranche of Notes.

Investors will not be able to calculate in advance their rate of return on floating rate notes

A key difference between floating rate notes and fixed rate notes is that interest income on floating rate notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the notes provide for frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to also issue fixed rate notes may affect the market value and the secondary market (if any) of the floating rate notes (and vice versa). Investment in Notes which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the relevant final terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform which are ongoing. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark" including on the value, liquidity or return on such Notes.

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the Regulation

(EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the "**BMR**").

On 17 May 2016, the Council of the European Union adopted the BMR, which entered into force on 30 June 2016. Subject to various transitional provisions, the BMR applies from 1 January 2018, except that the regime for 'critical' benchmarks has applied since 30 June 2016 and certain amendments to Regulation (EU) No. 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The BMR applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. The BMR applies to 'contributors', 'administrators' and 'users' of 'benchmarks' in the EU, and, among other things, (i) requires benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain 'equivalence' conditions in its local jurisdiction, to be 'recognised' by the authorities of a Member State pending an equivalence decision or to be 'endorsed' for such purpose by an EU competent authority) and to comply with requirements in relation to the administration of 'benchmarks' and (ii) bans the use of 'benchmarks' of unauthorised administrators. The scope of the BMR is wide and, in addition to so-called 'critical benchmark' indices such as EURIBOR and LIBOR, will apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The BMR could also have a material impact on any listed Notes linked to a "benchmark" index, including in any of the following circumstances:

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted;

(ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the BMR, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform), the discontinuing of or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Notes linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR reforms in making any investment decision with respect to any Notes referencing a "benchmark".

If the relevant Reference Rate is discontinued, the rate of interest of the affected Floating Rate Notes will be changed in ways that may be adverse to holders of such Notes, without any requirement that the consent of such holders be obtained.

Pursuant to the terms and conditions of any applicable Floating Rate Notes or any other Notes whose return is determined by reference to any benchmark, if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page on which the Reference Rate for such Notes appears has been discontinued or following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorised to publish any Replacement Reference Rate under any applicable laws or regulations, the Issuer will appoint a Reference Rate Determination Agent (which may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include the Dealers involved in the issue of such Notes) as appointed by the Issuer, (ii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent with the Issuer) or (iii) any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a Replacement Reference Rate, as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the Relevant Screen Page on which the Reference Rate appears. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Noteholders, the Issuer, the Calculation Agent and the Paying Agent and any other person, and will apply to the relevant Notes without any requirement that the Issuer obtain consent of any Noteholders.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. For example, there are currently proposals to replace LIBOR (which generally has a term of one, three or six months) with an overnight rate. Similarly, proposals have been made to use a rate on highly rated government obligations to replace LIBOR, which is currently based on interbank lending rates and carries an implicit element of credit risk of the banking sector. These and other changes could significantly affect the performance of an alternative rate compared to the historical and expected performance of LIBOR or any other relevant benchmark. There can be no assurance that any adjustment factor applied to any Series of Notes will adequately compensate for this impact. This could in turn impact the rate of interest on, and trading value of, the affected Notes. Moreover, any holders of such Notes that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate may find their hedges to be ineffective, and they may incur costs replacing such hedges with instruments tied to the Replacement Reference Rate.

If the Reference Rate Determination Agent is unable to determine an appropriate Replacement Reference Rate for any discontinued Reference Rate or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorised to publish any Replacement Reference Rate under any applicable laws or regulations is adopted but for any reason a Replacement Reference Rate is not determined, then the provisions for the determination of the rate of interest on the affected

Notes will not be changed. In such cases, the Terms and Conditions of the Notes provide that the relevant Interest Rate on such Notes will be the last Reference Rate available for the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent, effectively converting such Notes into fixed rate Notes.

Furthermore, in the event that no Replacement Reference Rate is determined by the Reference Rate Determination Agent and the affected Notes are effectively converted to fixed rate Notes as described above, investors holding such Notes might incur costs from unwinding hedges. Moreover, in a rising interest rate environment, holders of such Notes will not benefit from any increase in rates. The trading value of such Notes could therefore be adversely affected.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

There can be no assurance that Notes issued as "Green Bonds" and the related use of proceeds will be suitable for the investment criteria of an investor seeking securities to be used for a particular purpose

If so specified in the relevant Final Terms, the Issuer may issue Notes described as "Green Bonds" for the purposes of financing and/or refinancing, in whole or in part, Eligible Green Projects (such term as defined in the "*Use of Proceeds*" section). In such circumstances, prospective investors should have regard to the information set out, or referred to, under the paragraph "*Reasons for the offer – Use of proceeds*" of the relevant Final Terms and must determine for themselves the relevance of such information, together with any other investigation such investors deem necessary, for the purpose of any investment in such Notes and its suitability also in light of their own circumstances. In particular, no assurance can be given that the use of such net proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether under any present or future applicable law or regulations or under its own by-laws or other governing rules or investment portfolio mandates. As at the date of this Base Prospectus, no Green Bond framework agreement is in place. Should a Green Bond framework agreement be entered into during the duration of the Programme, the framework agreement will be disclosed in the relevant Final Terms.

In connection with the issue of "Green Bonds", the Issuer may request a specialised consulting firm or rating agency to issue a so-called second-party opinion confirming that the relevant "green" project expected to be financed and/or refinanced by the net proceeds of the "Green Bonds" has been defined in accordance with the broad categorisation of eligibility for green projects set out in the "Green Bond Principles" ("**GBP**") published by the International Capital Market Association ("**ICMA**") and/or a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability projects (any such second-party opinion, a "**Second-party Opinion**"). A Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors and other factors that may affect the value of the Notes or the projects financed or refinanced by the relevant net proceeds. A Second-party Opinion would not constitute a recommendation to buy, sell or hold the relevant "Green Bonds" and would only be current as of the date it is

released. A withdrawal of the Second-party Opinion may affect the value of such "Green Bonds" and/or may have consequences for certain investors with portfolio mandates to invest in green or social assets. Furthermore, prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated into and/or form part of the Base Prospectus.

While it is the intention of the Issuer to apply the net proceeds of Notes issued as "Green Bonds" so specified for Eligible Green Projects in, or substantially in, the manner described, or referred to, under the "*Use of Proceeds*" section and the paragraph "*Reasons for the offer – Use of proceeds*" of the relevant Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such a manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any Dealer that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid will not constitute an Event of Default under the Notes but may have a material adverse effect on the value of such Notes and/or result in adverse consequences for, amongst others, investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waiver

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Risk connected with the possibility of changes to the tax regime of the Notes

It is not possible to predict whether the tax regime applicable on the interest and on other income, including capital gains, deriving from the Notes, will undergo changes during the life of such Notes; therefore, it cannot be ruled out that, in the event of such changes, the net values indicated may alter, perhaps significantly, from those that actually apply to the Notes at the various payment dates.

Noteholders will be responsible for paying all present and future taxes that, in accordance with the provisions applicable from time to time will apply to the Notes, or to which the Notes become subject for whatever reason.

Any greater fiscal charges on profits or on capital gains in connection with the Notes, with reference to those payable under the applicable fiscal regulations, following legislative or regulatory changes, or as a result of a change of practice in terms of interpretation of the rules by the financial administration, will consequently mean a reduction in the return on the Notes, net of the tax charge, and this will not result in any obligation of the Issuer to pay the Noteholders any additional sum by way of compensation for such greater tax burden.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction:

(a) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended, supplemented or restated from time to time;

(b) pursuant to the U.S. Foreign Account Tax Compliance Act;

(c) pursuant to Presidential Decree No. 600 of 29 September 1973 as amended, supplemented or restated from time to time; and

(d) pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983, as amended from time to time

a brief description of which is set out below.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also "*Taxation*".

Italian substitutive tax

Italian substitutive tax is applied to payments of interest and other proceeds (including the difference between the redemption amount and the issue price) at a rate of 26 per cent. to (i) certain Italian resident Noteholders and (ii) non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*,

that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities (See also "*Taxation*").

*Foreign Account Tax Compliance Act withholding ("**FATCA**")*

Whilst the Notes are in global form and held within the Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (the "**Clearing Systems**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the depositary, common depositary or common safekeeper for the Clearing Systems (as holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Change of law

The conditions of the Notes are governed by English law in effect as at the date of this Base Prospectus, except for the provisions of Condition 16 (*Meetings of Noteholders; Noteholders' Representative; Modification and Waiver*) which are subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time and, where applicable Italian law so requires, the Issuer's by laws. No assurance can be given as to the impact of any possible judicial decision or change to applicable English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note

in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Fiscal Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, Notes issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Notes may be adversely affected. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation. The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Not all non-Italian investors in the Notes could be able to obtain the benefits of the regime under Decree No. 239.

The regime provided by Decree No. 239 applies if certain procedural requirements are met. There can be no assurance that all non-Italian resident investors will be able to claim the application of the withholding tax exemption regime (see "*Taxation*").

Notes may be affected by a proposal relating to Financial Transactions Tax ("FTT")

On 14 February 2013 the European Commission published a new legislative proposal on the Financial Transaction Tax (the "**FTT**"). The proposed FTT has a very broad scope and could apply, under certain circumstances to certain dealings in the Notes (see "*Taxation*").

According to trade press reports, the European Commission confirmed that a ministerial meeting to find an agreement on the issue will take place by mid-2018.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal

advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the years ended 31 December 2017 and 2018;

2. a press release dated 15 May 2019 in respect of the quarter ended 31 March 2019 containing the unaudited interim financial information as at and for the period ended 31 March 2019 (the "**Q1 2019 Press Release**");

3. a press release 23 March 2019 in respect of the statement issued by Mr. Donnarumma, in his quality as Acea's CEO (the "**CEO Statement Press Release**");

4. a press release 6 April 2019 in respect of the statement reiterated by Mr. Donnarumma, in his quality as Acea's CEO (the "**Second CEO Statement Press Release**"); and

5. the section entitled "Terms and Conditions" on pages 48-79 of the base prospectus relating to the Programme dated 18 July 2018 (the "**2018 Prospectus**").

provided, however, that any statement contained in this Base Prospectus or in any information or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement *provided that* such modifying or superseding statement is made by way of a supplement to this Base Prospectus pursuant to Article 16 of the Prospectus Directive.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge at the specified office of the Listing Agent in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Cross-reference list

The following table shows, *inter alia*, where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 (as amended) can be found in the above-mentioned documents. The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

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FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes, including any sections of the Base Prospectus which may be incorporated by reference therein.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking SA ("**Clearstream**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of paragraph (a) above) or at 5.00 p.m. (London time) on such due date (in the case of paragraph (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Final Terms; or

(b) at any time, if so specified in the Final Terms; or

(c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

(i) Euroclear or Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of paragraph (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of paragraph (b) above) or at 5.00 p.m. (London time) on such due date (in the case of paragraph (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of paragraph (a) above) or at 5.00 p.m. (London time) on such due date (in the case of paragraph (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

(i) Euroclear or Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of paragraph (a) above) or at 5.00 p.m. (London time) on such due date (in the case of paragraph (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Overview of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information any information in this Base Prospectus.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes while in Global Form" below.

1. **Introduction**

(a) *Programme*: Acea S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €4,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 15 July 2019 (the "**Agency Agreement**") between the Issuer and BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the specified office of the Fiscal Agent, the initial specified office of which is set out below.

(e) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(a) in relation to any sum payable in Euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in Luxembourg and each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, Luxembourg, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

a "**Change of Control**" will be deemed to occur if more than 50 per cent. of the share capital of the Issuer, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, is acquired by any person or Persons (other than the Reference Shareholder) acting in concert;

a "**Change of Control Put Event**" will be deemed to occur if:

(a) a Change of Control occurs; and

(b) at the time of the occurrence of the Change of Control, the Notes carry any of the following:

(i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the occurrence of the Change of Control either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the occurrence of the Change of Control downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the Change of Control an investment grade credit rating to the Notes

(each, a "**Rating Event**"); and

(c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control;

"**Control**" will have the meaning set forth in Article 93 of Italian Legislative Decree No. 58 of 24 February 1998 and the relevant implementing regulations;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

(vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking

Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Group**" means the Issuer and its Subsidiaries;

"**Indebtedness**" shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;

"**Indebtedness for Borrowed Money**" means any present or future Indebtedness for money borrowed;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Investment Grade Rating**" means a rating of Baa3 by Moody's Investors Service Ltd and/or BBB- by Fitch Italia S.p.A.;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the British Bankers' Association (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"**Make-Whole Amount**" means, in respect of any Note, as determined by the Issuer and/or an independent advisor, the sum of the then current values of the remaining scheduled payments of principal and interest on the Note (not including any interest accrued on the Note to, but excluding, the Optional Redemption Date (Call)) discounted to the Optional Redemption Date (Call) on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Dealer Rate. For this purpose, the "**mid-market annual swap rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg calculated on such Optional Redemption Date (Call) on a 30/360 day count basis on a fixed-for-floating euro interest rate swap transaction maturing on the Maturity Date;

"**Margin**" has the meaning given in the relevant Final Terms;

a "**material part**" means 15 per cent. or more by value of the whole;

"**Material Subsidiary**" at any time shall include a Subsidiary of the Issuer (*inter alia*): (a) whose revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated revenues or, as the case may be, consolidated total assets of the Issuer and its consolidated Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its consolidated Subsidiaries; or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Rating**" means:

(a) if, immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer, the Notes carried a credit rating equal to or higher than an Investment Grade Rating, the higher of (1) an Investment Grade Rating, and (2) a credit rating that is not more than 3 notches lower than the rating assigned by the Rating Agencies to, or carried by, the Notes immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer;

(b) if, immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer, the Notes carried a credit rating lower than an Investment Grade Rating, a credit rating that is not lower than the rating assigned by the Rating Agencies to, or carried by, the Notes immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, a redemption amount per Note equal to 100 per cent. of the nominal amount of the Notes or a redemption amount per Note equal to the greater of 100 per cent. of the nominal amount of the Notes and the Make-Whole Amount, as may be specified in the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Reorganisation**" means an amalgamation, reorganisation, merger, demerger, consolidation or restructuring whilst solvent whereby the assets and undertaking of the Issuer (or, in the case of a demerger, all or substantially all of such assets and undertaking) are vested in a body corporate in good standing and (A) such body corporate (i) assumes or, if the surviving entity is the Issuer, maintains liability as principal debtor in respect of the Notes and (ii) continues substantially to carry on the business of the Issuer as reported in the Issuer's most recently published audited financial statements immediately prior to the amalgamation, reorganisation, merger, demerger, consolidation or restructuring; and (B) following the completion of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring, the Notes continue to carry by each Rating Agency that rated the Notes prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring a rating at least equal to the Minimum Rating;

"**Permitted Security Interest**" means:

(a) any Security Interest arising solely by operation of law;

(b) any Security Interest existing over the assets of a company which becomes a Material Subsidiary of the Issuer after the date of the relevant Final Terms where such Security Interest already exists at the time that such a company becomes a Material Subsidiary of the Issuer (provided that such Security Interest was not created in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer and provided further that the amounts secured have not been increased in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer); and

(c) any Security Interest to secure Relevant Indebtedness upon, or with respect to, any of its present or future assets (including receivables) or revenues or any part thereof which is created pursuant to any securitisation, asset backed financing or like arrangement, including, for the avoidance of doubt, Project Finance Indebtedness (as defined below), whereby all payment obligations in respect of the Relevant Indebtedness or any guarantee of or indemnity in respect of the Relevant Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other indemnity, are to be discharged solely from such assets (including receivables) or revenues;

(d) any Security Interest in existence on the relevant Issue Date of each Series of Notes, provided that the principal amount secured by the Security Interest is not subsequently increased and the Security Interest remains limited to all or part of the same property and assets that originally secured the Security Interest; and

(e) any Security Interest created in substitution of any security permitted under paragraphs (a) to (d) above, provided that the principal amount secured by the substitute Security Interest does not exceed the principal amount secured by the initial Security Interest.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Persons Acting in Concert**" will have the meaning set forth in Article 101-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and relevant implementing measures;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Project Finance Indebtedness**" means any present or future Indebtedness incurred in financing the acquisition, development, leasing and/or operation of an asset or assets (including, for the avoidance of doubt, concessions), whether or not an asset of a member of the Group, in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant issuer (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group for the repayment thereof other than:

(a) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or

(b) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any Security Interest given by such issuer over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like, including any member of the Group, in the issuer over its shares or the like in the capital of the borrower) to secure such Relevant Indebtedness,

provided that (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (b) such Person or Persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings of whatever nature against any member of the Group.

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Rating Agency**" means each of Moody's Investors Service Ltd and Fitch Italia S.p.A. and any of their respective successors; and

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer and/or an independent advisor in the market that is most closely connected with the Reference Rate;

"**Reference Dealers**" has the meaning given in the relevant Final Terms or, if none, two independent and internationally recognised dealer in obligations similar to the Notes selected by the Issuer;

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and the Optional Redemption Date (Call), the average of the mid-market annual swap rate as determined by the Reference Dealers at 11.00 a.m. London time, on the third business day in London preceding such Optional Redemption Date (Call) quoted in writing to the Issuer and the Fiscal Agent by the Reference Dealers;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"**Reference Shareholder**" means the Municipality of Rome.

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented or evidenced by bonds, notes, debentures or other securities for the time being are, are intended to be (with the consent of the Issuer), or are capable of being quoted, listed or dealt in or traded on any stock exchange or over the counter of other securities market;

"**Relevant Jurisdiction**" means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer is or becomes subject in respect of its income by reason of its tax residence or a permanent establishment maintained therein.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be consolidated with those of the Issuer.

"**substantial part**" means 50 per cent. or more by value of the whole.

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended;

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or

specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. Status

The Notes constitute direct, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5 (*Negative Pledge*), at all times rank equally with all its other present and future unsecured and unsubordinated obligations.

5. Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or have outstanding any Security Interest other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Material Subsidiary in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by a Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

6. Fixed Rate Note Provisions

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes:

(i) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; or

(ii) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in

respect of those Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes:

(i) if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable; or

(ii) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days

after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable:

(A) the Issuer and/or an independent advisor appointed by the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, except that, (i) if the Issuer or Calculation Agent determines that the absence of quotation is due to

the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with Condition 7(c)(v) below.

(v) (1) If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the "**Reference Rate Determination Agent**"), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will, acting in good faith, use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining the Reference Rate on each Interest Determination Date falling on or after such determination: (a) the Reference Rate Determination Agent will also acting in good faith, determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (b) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Notes will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (a) above; (c) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (d) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (a) above.

(vi) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute

Replacement Reference Rate in an identical manner as described in paragraph (v) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

(vii) If the Reference Rate Determination Agent, acting in good faith, determines that the Relevant Screen Page on which appears the Reference Rate has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined later than the Interest Determination Cut-off Date, no Replacement Reference Rate will be adopted, and the Relevant Screen Page on which appears the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(viii) The Reference Rate Determination Agent may be (a) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Notes) as appointed by the Issuer, (b) the Calculation Agent (if agreed in writing by the relevant Calculation Agent) or (c) any other entity which the Issuer considers has the necessary competences to carry out such role.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the

day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, and *provided that* if either the Floating-Fixed Rate Note Provisions or the Fixed-Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable, such time of redemption does not fall during an Interest Period the Rate of Interest in respect of which is calculated in accordance with the Floating Rate Note Provisions; or

(ii) on any Interest Payment Date (if either the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

in each case, on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation)* as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which the agreement is reached to issue the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer would be obliged to pay

such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to, but excluding, the Optional Redemption Date (Call)). Any notice so given shall oblige the Issuer to redeem the Notes on the Optional Redemption Date (Call) accordingly.

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Clean-Up Call Option*: If the Clean-up Call Option (defined herein) is specified in the relevant Final Terms as being applicable, in the event that at least 80 per cent. of the initial aggregate principal amount of the Notes has been purchased and cancelled by the Issuer, the Issuer may, at its option (the "**Clean-Up Call Option**") but subject to having

given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders, redeem all, but not some only, of the outstanding Notes. Any such redemption shall be at par together, if appropriate, with any interest accrued to the date fixed for redemption.

(f) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(g) *Redemption at the option of Noteholders upon a Change of Control Put Event*: If at any time while the Notes remain outstanding a Change of Control Put Event occurs, the holder of any Note will have the option (unless, prior to the giving of the Change of Control Put Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with Condition 9(b) (*Redemption for tax reasons*) or, if applicable, Condition 9(c) (*Redemption at the option of the Issuer*)) to require the Issuer to redeem such Note on the Change of Control Put Date at its Change of Control Redemption Amount together with interest accrued to, but excluding, the Change of Control Put Date.

If a Change of Control Put Event occurs, the Issuer shall, within 14 days of the occurrence of such Change of Control Put Event, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control and the procedure for exercising the option contained in this Condition 9(g).

To exercise the right to require redemption of this Note, the holder of this Note must deliver this Note at the specified office of any Paying Agent at any time during the normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 45 days after that on which a Change of Control Notice is given, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account

to which payment is to be made under this Condition. All unmatured coupons shall be dealt with in accordance with the provisions of Condition 10 (*Payments*). The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the holder concerned a non transferable receipt (a "**Change of Control Put Receipt**") in respect of the Note so delivered. The Issuer shall redeem the Notes in respect of which Change of Control Put Receipt have been issued on the date (the "**Change of Control Put Date**") being the tenth day after the date of expiry of the Change of Control Put Period, *provided, however, that* if, prior to the Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Change of Control Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Change of Control Put Notice and shall hold such Note at its specified office for collection by the depositing Noteholder against surrender of the relevant Change of Control Put Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(g), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes. Payment in respect of any Note will be made on the Change of Control Put Date by transfer to the bank account (if any) specified in the Change of Control Put Notice and, in every other case on or after the Change of Control Put Date, in each case against presentation and surrender or (as the case may be) endorsement of such Change of Control Put Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 9(g).

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.

(i) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase:* The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price (provided that they are purchased together with all unmatured Coupons relating to them).

(k) *Cancellation:* All Notes redeemed pursuant to the Conditions and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold. All Notes purchased in accordance with Condition 9(j) (*Purchase*) and

any unmatured Coupons attached to or surrendered with them may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

10. **Payments**

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation)*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption at the option of the Issuer*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(g) (*Redemption at the option of the Noteholders upon a Change of Control Put Event*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming

part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Taxation**

(a) *Gross up:*

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(i) in the case of any Note and/or Coupon presented for payment by or on behalf of a holder who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(ii) if such Note or Coupon is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(iii) in the case of a Note and/or Coupon presented for payment in the Republic of Italy; or

(iv) in the case of a Note and/or Coupon presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(v) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive, law or agreement implementing or complying with, or introduced in order to conform to, such Directive; or

(vi) in the case of any Note and/or Coupon presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(vii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1st April 1996 ("Decree No. 239") and any related implementing regulations (as the same may be amended or supplemented at the date of issue of the Notes); or

(viii) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities (the states allowing for an adequate exchange of information with the Republic of Italy are those listed in Ministerial Decree of 4 September 1996, as amended and supplemented).

12. **Events of Default**

If any of the following events occurs:

(a) *Non-payment:* the Issuer (1) fails to pay any amount of principal in respect of the Notes when due and such failure continues for a period of seven days, or (2) fails to pay any amount of interest in respect of the Notes when due and such failure continues for a period of 14 days; or

(b) *Breach of other obligations:* without prejudice to Condition 12(a), the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) *Cross-default of Issuer or Subsidiary:*

(i) any other Indebtedness for Borrowed Money (other than Project Finance Indebtedness) of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or

(ii) any such Indebtedness for Borrowed Money (other than Project Finance Indebtedness) is not paid when due or, as the case may be, within any applicable grace period, or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money (other than Project Finance Indebtedness),

provided that the aggregate amount of the Indebtedness for Borrowed Money, guarantees and/or indemnities in respect of which one or more of the events mentioned in this Condition 12(c) have occurred (in the case of (iii) taking into account only the amount which the relevant person has failed to pay) equals or exceeds €30,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant

currency against euro as quoted by any leading bank on the day on which this Condition operates); or

(d) *Enforcement*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 45 days; or

(e) *Security enforced:* any mortgage, charge, pledge, lien or other encumbrance, created or assumed by the Issuer or any of its Material Subsidiaries in respect of all or a substantial part of the property, assets or revenues of the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) *Insolvency etc:* the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Material Subsidiaries; or

(g) *Winding up etc:* an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by (A) a reconstruction, amalgamation, reorganisation, merger, demerger or consolidation (i) on terms approved by a resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby all or substantially all of the undertaking and assets of the Material Subsidiary are transferred, sold, contributed, assigned to or otherwise vested in the Issuer or another of its Material Subsidiaries, or (B) a Permitted Reorganisation; or

(h) *Analogous event:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in the paragraphs above.

Then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

13. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

15. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that***:*

(a) the Issuer shall at all times maintain a Fiscal Agent; and

(b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and

(c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

16. **Meetings of Noteholders; Noteholders' Representative; Modification and Waiver**

(a) *Meetings of Noteholders*: the Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution.

In relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution, the following provisions shall apply in respect of the

Notes but are subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time and, where applicable Italian law so requires, the Issuer's by laws:

(i) a meeting of Noteholders may be convened by the Issuer and/or the Noteholders' Representative (as defined below) and shall be convened by either of them upon the request in writing of Noteholders holding not less than one twentieth of the aggregate principal amount of the outstanding Notes;

(ii) a meeting of Noteholders will be validly held (subject to any mandatory laws, legislation, rules and regulations of Italian law, as well as the Issuer's by-laws, in force from time to time) if: (a) in respect of a meeting convened to pass a resolution relating to a Reserved Matter, there are one or more persons present being or representing Noteholders holding at least one-half of the aggregate principal amount of the outstanding Notes; or (b) in respect of a meeting convened to pass a resolution that does not relate to a Reserved Matter, (i) in the case of a sole meeting (*convocazione unica*), there are one or more persons being or representing Noteholders holding at least one-fifth of the aggregate principal amount of the outstanding Notes, (ii) in the case of a first meeting (*prima convocazione*), there are one or more persons present being or representing Noteholders holding at least one-half of the aggregate principal amount of the outstanding Notes, (iii) in the case of a second meeting (*seconda convocazione*), there are one or more persons present being or representing Noteholders holding more than one-third of the aggregate principal amount of the outstanding Notes or (iv) in the case of any subsequent adjourned meeting (*convocazioni successive*), there are one or more persons present being or representing Noteholders holding at least one-fifth of the aggregate principal amount of the outstanding Notes; provided that the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorum; and

(iii) the majority required to pass an Extraordinary Resolution at any meeting (including any adjourned meeting) convened to vote on any resolution will be (a) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting or (b) for voting on a Reserved Matter, the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting, provided that, to the extent permitted under applicable provisions of Italian law, the Issuer's by-laws may in each case provide for higher majorities. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting and on all Couponholders.

(b) *Noteholders' Representative*: a representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a resolution of such Noteholders, the Noteholders' Representative

shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

(c) *Modification:* the parties to the Agency Agreement may agree, without the consent of the Noteholders or the Couponholders, to (i) any modification of any provision of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any provision of the Agency Agreement which in the opinion of the Issuer is not materially prejudicial to the interests of the Noteholders or the Couponholders. These Conditions may be amended by the parties to the Agency Agreement, without the consent of the Noteholders or Couponholders, to correct a manifest error.

17. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

18. **Notices**

Without prejudice to any further formalities and other requirements set out under any applicable Italian laws and regulations (including Article 125-*bis* of Legislative Decree No. 58 of 24 February 1998, as amended), notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

19. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first

currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

21. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Conditions 16(a) and 16(b) are subject to compliance with mandatory provisions of Italian law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 21(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 21 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of

the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[[**MIFID II product governance / Professional investors and ECPs only target market**] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

Final Terms dated [●]

Acea S.p.A.

Legal Entity Identifier (LEI): 549300Q3448N041CTH56

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €[●]

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 15 July 2019 and the supplemental base prospectus[es] dated [●] [●][and [●] [●]] which [together] constitute[s] a base prospectus

(the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and the Final Terms are available for viewing at the Issuer's website (www.acea.it) and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC as, amended, and include any relevant implementing measure in the relevant Member State.]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2018 Prospectus*]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 18 July 2018 which are incorporated by reference in the base prospectus dated [●] 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the base prospectus dated 15 July 2019 and the supplemental base prospectus[es] dated [●] [●][and [●] [●]], which together constitute a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the base prospectus dated 18 July 2018.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the base prospectuses dated 18 July 2018 and 15 July 2019 and the supplemental base prospectus[es] dated [●] [●][and [●] [●]]. Such base prospectuses, the supplemental base prospectus[es] dated [●] [●][and [●] [●]] and the Final Terms are available for viewing at the Issuer's website (www.acea.it) and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC, as amended, and include any relevant implementing measure in the relevant Member State.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with

			the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below [which is expected to occur on or about [●]].]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] *(insert date, if applicable)*]
5.	(i)	Specified Denominations:	[ ] [and integral multiplies of [ ] in excess thereof up to and including [ ]. No Notes in definitive form will be issued with a denomination above [ ].] (*Under current practices of Euroclear and Clearstream, unless paragraph 25 (Form of Notes) below specifies that the Permanent Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the lowest Specified Denomination and may only be traded in such amounts, whether in global or definitive form.*) (*Notes, including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*)
	(ii)	Calculation Amount:	[●] (*If only one Specified Denomination, insert the Specified Denomination. If*

			more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
7.	Maturity Date:		[●] [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:		[[●] per cent. Fixed Rate] [EURIBOR/LIBOR]+/– [●] per cent. Floating Rate] [Fixed-Floating Rate] [Floating-Fixed Rate] [Zero Coupon] (further particulars specified below)
9.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
10.	Change of Interest or Redemption/Payment Basis:		[[●]/Not Applicable] [*Specify the date when any fixed or floating rate change occurs or cross refer to paragraphs 13 (Fixed Rate Note Provisions) and 14 (Floating Rate Note Provisions) below and identify these*]
11.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [Clean-up Call Option] [(further particulars specified below)] [Not Applicable]
12.	[Date [Board] approval for issuance of Notes] obtained:		[●] [and [●], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
14.	**Floating Rate Note Provisions**		[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●]
	(iii)	Specified Interest Payment Dates:	[Not Applicable/[●], subject to adjustment in accordance with the Business Day Convention set out in sub-paragraph (v) below] (*Note that this item adjusts the end date of each Interest Period (and consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 10(g) (Payments - Payments on business days) and the defined term "Payment Business Day"*.)
	(iv)	[First Interest Payment Date]:	[●]

(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/[●]]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):	[[●] shall be the Calculation Agent]/[Not Applicable]
(ix)	Screen Rate Determination: (Conditions 7(c) (*Floating Rate Note Provisions – Screen Rate Determination*) and 7(d)) *(Floating Rate Note Provisions – ISDA Determination))*	
	• Reference Rate:	[EURIBOR/LIBOR]
	• Reference Banks:	[●]/[Not Applicable]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
	• Relevant Time:	[●]
	• Relevant Financial Centre:	[●]
(x)	ISDA Determination: (Condition 7(e) *(Floating Rate Note Provisions – Maximum or Minimum Rate of Interest))*	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• [ISDA Definitions:	[2000/2006]
(xi)	Margin(s):	[+/-][●] per cent. per annum

(xii)	Minimum Rate of Interest:	[[●] per cent. per annum]/[Not Applicable]
(xiii)	Maximum Rate of Interest:	[[●] per cent. per annum]/[Not Applicable]
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

15.	**Fixed-Floating Rate Note Provisions:**	[Applicable/Not Applicable] [[●] per cent. Fixed Rate in respect of the Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 14 (*Floating Rate Note Provisions*) above.]
16.	**Floating-Fixed Rate Note Provisions:**	[Applicable/Not Applicable] [[*Floating Rate*] in respect of the Interest Period(s) ending on (but excluding) [ ], then calculated in accordance with paragraph 13 (*Fixed Rate Note Provisions*) above.]
17.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i)	Optional Redemption Date(s) (Call):	[●]
(ii)	Optional Redemption Amount(s) (Call) of each Note:	[[●] per Calculation Amount]/[The greater of 100 per cent. of the nominal amount of the Notes, together with the Make-Whole Amount]

	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount
		(iv) Notice period:	[●]/[Not Applicable]
	(iv)	[*If a Make-Whole Amount applies*:] [Reference Dealers:]	[●]
19.	**Put Option**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	Notice period:	[●]/[Not Applicable]
20.	**Change of Control Put**:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraph of this paragraph)*
	[(i)	Change of Control Redemption Amount(s) of each Note:	[●] per Calculation Amount]
21.	**Clean-up Call Option**		[Applicable/Not Applicable]
22.	**Final Redemption Amount of each Note**		[●][per Calculation Amount
23.	**Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons**:		[[●] per Calculation Amount]/[Not Applicable]
24.	**Early Termination Amount per Calculation Amount payable on event of default or other early redemption**:		[[●] per Calculation Amount]/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Bearer Notes:

		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]* [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] (**Notes may only be issued pursuant to this option in amounts equal to the Specified Denomination or integral multiples thereof*)
26.	New Global Note:	[Yes] [No]
27.	Additional Financial Centre(s):	[Not Applicable/[●]]
28.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

Signed on behalf of Acea S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing	[Luxembourg Stock Exchange/None]
(ii)	Admission to trading:	[Application [has been/is expected to be] made for the Notes to be admitted to trading on the [regulated market of the Luxembourg Stock Exchange//(*specify relevant regulated market*)] with effect from [●].]/[Not Applicable.][1] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading*.)
(iii)	Estimated total expenses of admission to trading:	[●]/[Not Applicable][2]

2. **RATINGS**

[The Notes are not expected to be rated]/[The Notes to be issued [have been/are expected to be] rated]:

[Fitch: [●]]

[Moody's: [●]]

[[Other]: [●]]

Option 1 - CRA established in the EEA and registered under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 2 - CRA established in the EEA, not registered under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No

[1] Insert "Not Applicable" where the Notes are not to be admitted to trading.

[2] Insert "Not Applicable" where the Notes are not to be admitted to trading.

1060/2009, as amended (the "**CRA Regulation**").

Option 3 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 5 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below.)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The

[Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests)*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to Base Prospectus under Article 16 of the Prospectus Directive.)*]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

Reasons for the offer	[●] [Not Applicable] (If the Notes are Green Bonds, describe the relevant projects to which the net proceeds of the Tranche of Notes will be applied or make reference to the relevant bond framework to which the net proceeds of the Tranche of Notes will be applied.)

5. **YIELD**

Indication of yield:	[●][Not Applicable]

6. **HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters] [Not Applicable]

6. **BENCHMARK**

EU Benchmarks Regulation:	[Applicable: Amounts payable under the Notes are calculated by reference to [EURIBOR] [LIBOR] [*insert name*[*s*] *of benchmark*(*s*)], which [is/are] provided by [European Money Markets Institute] [ICE Benchmark Administration Limited] [*insert name*[*s*] *of the administrator*[*s*] *– if more than one specify in relation to each relevant benchmark*].
(ii) EU Benchmarks Regulation: Article 29(2) statement on benchmarks:	As at the date hereof, [European Money Markets Institute] [ICE Benchmark Administration Limited] [Benchmark administrator] [appears] / [does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets

Authority pursuant to article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011 (the "Benchmarks Regulation"). [As far as the Issuer is aware, EITHER [European Money Markets Institute] [ICE Benchmark Administration Limited] [[Benchmark administrator] does not fall within the scope of the Benchmarks Regulation] OR [the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [European Money Markets Institute] [ICE Benchmark Administration Limited] [Benchmark administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)].]]

7. **[THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [Not Applicable.]

8. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI:	[[Include Code], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
FISN:	[[Include Code], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that

	assigned the ISIN / Not Applicable / Not Available] (If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable".)
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]/[Not Applicable]

9. DISTRIBUTION

(i)	U.S. Selling Restrictions:	[TEFRA C/TEFRA D/TEFRA not applicable]
(ii)	Method of distribution:	[Syndicated/Non-syndicated]
(iii)	If syndicated:	[Not Applicable]
	(a) Names and addresses of Managers and underwriting commitments	[●]
	(b) Stabilising Manager(s) if any	[Not Applicable/[●]]
	(c) If non-syndicated, name and address of Dealer:	[Not Applicable/[●]]
(iv)	Prohibition of Sales to EEA Retail Investors:	[Applicable] / [Not Applicable]

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream.

Payment Business Day: In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Exercise of put option: In order to exercise the option contained in Condition 9(f) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 9(g) (*Redemption and Purchase – Redemption of the option of the Noteholders upon a Change of Control Put Event*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the

Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

USE OF PROCEEDS

The net proceeds of any issue of Notes will be used by the Issuer for general corporate purposes. If, in respect of any particular issue of Notes, a particular use of proceeds is identified, such use of proceeds will be specified in the applicable Final Terms.

If a Tranche of Notes to be issued is described as "Green Bonds", the applicable Final Terms will describe the relevant "green" projects to which the net proceeds of the Tranche of Notes will be applied and refer to the relevant green bond framework, if any. A Tranche of Notes will be described as "Green Bonds" only if the net proceeds of such Tranche of Notes will be used to finance and/or refinance, in whole or in part, an Eligible Green Project.

"**Eligible Green Projects**" means projects falling within the broad categorisation of "Green Project" pursuant to the then applicable "Green Bond Principles" published by the International Capital Markets Association (ICMA).

Any green bond framework and any Second-party Opinion will be made available on the Issuer's website. For the avoidance of doubt, none of these documents are incorporated into, or form part of, the Base Prospectus.

For the avoidance of doubt, the Dealers have not undertaken, nor are responsible for, any assessment of the Eligibility Criteria, any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or the monitoring of the use of proceeds of Notes issued under the Programme.

DESCRIPTION OF THE ISSUER

OVERVIEW

ACEA S.p.A. ("**ACEA**" or the "**Issuer**") is a joint stock company (*società per azioni*) incorporated under Italian law. Its registered office and principal place of business is at Piazzale Ostiense, 2, 00154 Rome, Italy and it is registered with the Companies' Register of Rome under number 05394801004. ACEA may be contacted by telephone on +39 0657991 and by fax on +39 0657994146.

ACEA was incorporated on 29 September 1997. Pursuant to Article 3 of its by-laws, the corporate existence of ACEA is set to end on 31 December 2050, but this term may be extended.

Pursuant to Article 4 of its by-laws, the main corporate purposes of the Issuer are: (i) the procurement, generation, transmission, distribution and sale of electric power and heat deriving from an energy source, in accordance with applicable provisions of law; (ii) the integrated management of the water resources including the collection, conduction, distribution, sewerage, purification and treatment as well as protection, monitoring and expansion of water basins; (iii) the management of public fountains and ornamental fountains; (iv) the planning, implementation and management of systems for public lighting as well as traffic lights and circulation-linked systems; and (v) the promotion, the diffusion and the implementation of actions and plants supplied with renewable and similar energy sources.

The ordinary shares of ACEA have been listed on the Italian Stock Exchange since 1999. As at 3 July 2019, ACEA had a market capitalisation of Euro 3,689 million, ACEA has been assigned a Baa2 issuer rating with a "stable outlook" by Moody's Investors Service Ltd. ("**Moody's**"), and a BBB+ long-term issuer default rating with a "stable outlook" by Fitch Italia S.p.A., a subsidiary of Fitch Ratings Ltd. ("**Fitch**"). Moody's and Fitch are established in the European Union and are registered under the CRA Regulation. As such, Fitch and Moody's are included in the list of credit ratings agencies published by the ESMA on its website available (*www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation.

ACEA is the parent company of an integrated group consisting of ACEA and its consolidated subsidiaries (collectively, the "**Group**" or the "**ACEA Group**"). The Group is an industrial group which deals with the management of energy, environmental and water services: the production, sale and distribution of energy, the development of renewable energy sources, the disposal and creation of energy from waste, public lighting and an integrated water service (aqueducts, sewerage and purification). The Group mainly operates in Italy (primarily in Rome as well as throughout other parts of Italy) and, to a lesser extent, with respect to the water sector, outside Italy (Honduras, Peru, Colombia and the Dominican Republic).

The Group provides services in, and focuses on, the consolidation and creation of value from, six main business areas:

- **water sector**, carrying out the activities of collection, transportation, distribution, treatment and sewerage;

- **energy infrastructure sector**, carrying out the activities of power generation, energy distribution and public lighting;

- **commercial and trading sector**, carrying out the activities of energy and gas trading, sale of electricity and gas and district heating;

- **engineering and services sector**, carrying out the activities of laboratory analysis, research and planning;

- **environment sector**, carrying out the activities of waste to energy and organic waste to compost conversion; and

- **overseas,** using the Group's know-how and distinctive expertise in managing infrastructure and export the business in which the Group operates (mainly water services in Latin America area).

For the financial year ended 31 December 2018, the consolidated revenues of the ACEA Group amounted to approximately Euro 3,028.5 million (an increase of 8.3 per cent. compared to the financial year ended 31 December 2017). For the financial year ended 31 December 2018, the consolidated EBITDA of the ACEA Group amounted to approximately Euro 933.2 million[3] (an increase of 11.1 per cent, compared to the financial year ended 31 December 2017).

For the three-month period ended 31 March 2019, the consolidated revenues of the ACEA Group amounted to approximately Euro 823.3 million (an increase of 10.4 per cent. compared to the three-month period ended 31 March 2018). For the three-month period ended 31 March 2019, the consolidated EBITDA of the ACEA Group amounted to approximately Euro 247.9 million[4] (an increase of 8.2 per cent, compared to the three-month period ended 31 March 2018).

HISTORY AND DEVELOPMENTS

ACEA was founded by the Municipality of Rome as a municipal company in 1909 under the original name *Azienda Elettrica Municipale* ("**AEM**") for the purpose of providing energy services for public and private usage throughout the Municipality of Rome. In 1937, the Governor of Rome entrusted AEM with the construction and administration of the municipal water system and water distribution network for the city of Rome. AEM was subsequently renamed *Azienda Governatoriale Elettricità e Acque* ("**AGEA**") and AGEA in 1945 became *Azienda Comunale Elettricità e Acque* ("**A.C.E.A.**"). In 1964, following the expiry of a water concession previously held by another operator, the Municipality of Rome transferred to A.C.E.A. the assets used to conduct that operator's water distribution business, notably the aqueduct of *Marcio*, bringing municipal water distribution under its sole control. In 1985, A.C.E.A. began water purification activities, servicing a customer base of approximately three million residents, which step constituted the foundation of its integrated management services for the entire water cycle. In 1989, A.C.E.A. adopted the name of *Azienda Comunale Energia e Ambiente* and took over the management of the public lighting services within the Municipality of Rome. Three years later it was transformed from a municipal company (*azienda municipalizzata*) into a special company (*azienda speciale*) and, with effect from 1 January 1998, was incorporated as a joint stock company under Italian law no. 142 of 8 June 1990, adopting its present name (*i.e.* ACEA S.p.A.).

[3] Effect of consolidation of Gori for €12 million.
[4] Effect of consolidation of Gori for €17.3 million.

In 2001, ACEA became the third largest electricity distributor in Italy in terms of volumes distributed[5], acquiring the electricity distribution division for the metropolitan area of Rome from Enel Distribuzione S.p.A.

In 2002, ACEA and Electrabel S.A. ("**Electrabel**"), a Belgian company and a member of the GDFSuez Group (previously the Suez Group), entered into a strategic joint venture (named AceaElectrabel) to develop energy activity in Italy: notably, production, trading and sales to free market consumers and customers under contract. The first full year of operation of the joint venture was 2003.

In the same year, ACEA and Electrabel, operating through a newly-incorporated company EblAcea S.p.A. ("**EblAcea**") participated in the consortium that purchased Interpower S.p.A. ("**Interpower**"), the third and final generation company sold by Enel S.p.A. as part of the generation downsizing programme imposed on Enel S.p.A. pursuant to the Bersani Decree. Interpower, now renamed Tirreno Power S.p.A., is the fourth largest electricity generator in Italy[6].

In the same year, ACEA took over management of the whole sewerage system in Rome.

In 2004, ACEA launched the integrated water service in the ATO 2 area (Rome – Central Latium) and in the same year won the right to manage the service in new areas, consolidating its national leadership in water management. ACEA also purchased a stake in Tirreno Power S.p.A. in the same year and established a plan to increase energy production.

In 2006, ACEA purchased A.R.I.A S.p.A. (previously named TAD *Energia Ambiente*), entering the waste to energy market.

In 2010, the Board of Directors of the Issuer approved a preliminary termination agreement of the Acea-Electrabel joint venture between ACEA and GDF Suez Energia Italiana S.p.A. ("**GSEI**"). The unwinding of the joint venture between ACEA and GSEI was completed on 31 March 2011. For further details on this joint venture and its unwinding, please see "*Description of the Issuer – Principal activities – Energy*" below.

In 2011, ACEA Distribuzione S.p.A., following the admission to an incentive treatment granted by the ARERA, started the development of the Smart Grid pilot project.

On 23 January 2012, the purchase of the Piazzale Ostiense site was completed, taking advantage of the opportunity presented by the disposal carried out by Beni Stabili, by exercising the right of first offer set out in the lease, for a purchase price equal to Euro 110,000,000.

In 2012, in accordance with the general guidelines of the Group strategy aimed at monetising the Group's non-core assets, the Group sold Apollo S.r.l., a company engaged in the photovoltaic business, to RTR Capital S.r.l. (a company within the Terra Firma group).

During the same year, the Group launched Project Acea 2.0 to enable the Issuer to fully integrate and manage all business processes using innovative mobile technologies. This innovation program was made possible by the new work force management system, a digital IT platform – developed by SAP Italia S.p.A. ("**SAP**") – that allows the Issuer to coordinate

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5 Source: data elaborated by the Issuer's management on the basis of publicly available information.

6 Source: data elaborated by the Issuer's management on the basis of publicly available information.

and monitor its activities and its suppliers in real time. The digitalization process initially involved the water networks in Rome and Frosinone and the electricity distribution network in Rome.

On 26 September 2015 ACEA ATO 2 S.p.A. ("**ACEA ATO 2**") opened its "Operations Room", meeting the deadlines set out in the project roadmap planned in its first work order to SAP. On 28 September 2015 customers were welcomed at the offices and obtained access to services using the new systems. During 2016, other subsidiaries implemented Project Acea 2.0, introducing innovative management processes and systems.

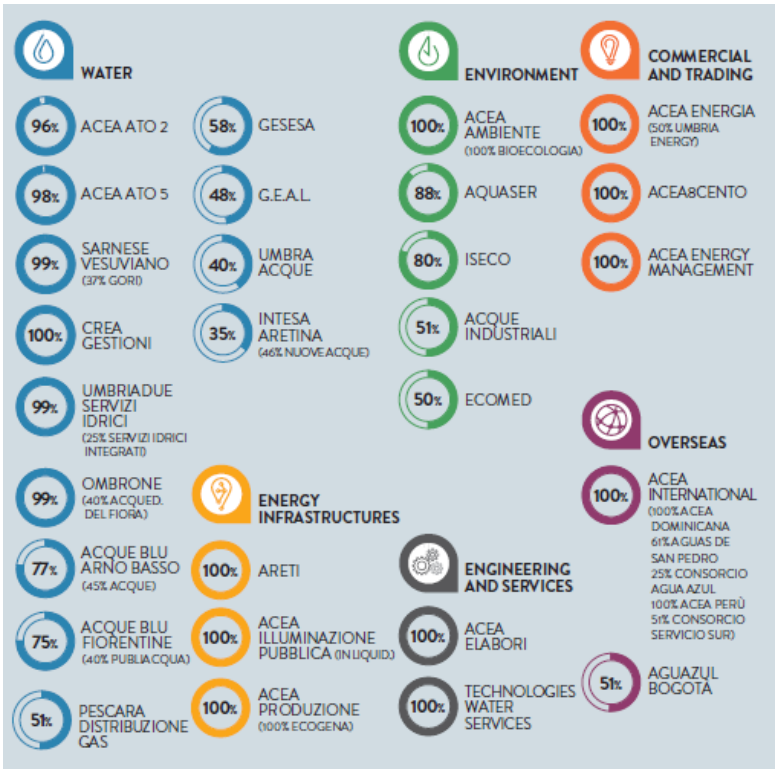
On 20 June 2016, Acea Distribuzione S.p.A., in compliance with the provisions of annex A to resolution 296/2015/R/com of the AEEGSI, changed its business name to ARETI S.p.A. ("**ARETI**"), adopting a new logo for exclusive use by ARETI as of 1 July 2016.

On 2 April 2019, the Board of Directors of the Issuer approved the new 2019-2022 Business Plan (the "**2019-2022 Business Plan**"). For further details and information on the 2019-2022 Business Plan, please see "*Description of the Issuer – Strategy*" below.

STRUCTURE OF THE GROUP

The Issuer is the parent company of the Group, which, as of 31 December 2018, was made up of 59 companies in which the Issuer holds shares, of which 36 are consolidated on the integral method and 23 are consolidated on shareholder's equity.

The following diagram illustrates the main companies of the Group as at 31 March 2019:



PRINCIPAL ACTIVITIES

The Issuer exercises corporate, service, direction and control functions and its subsidiaries are operating companies in the integrated water services, energy infrastructure, commercial and trading of electric power and gas, environment, engineering and services and overseas sectors.

The above principal activities are reconciled to the Group's operating segments, which are presented consistently in the consolidated financial statements of the Issuer for the years ended 31 December 2018 and 2017, as follows:

- Water services: includes the operations in the Italian Water Services operating segment;
- Energy infrastructure: includes the operations in the Distribution, Public Lighting and Generation operating segments;
- Commercial and trading: includes the operations in the Sale operating segment;
- Overseas: includes the operations in the Overseas operating segment;
- Environment: includes the operations in the Environment operating segment;
- Engineering and services: includes the operations in the Engineering operating segment.

The tables in this section set forth the contribution to Revenues, Costs, Income from Equity Investments and gross operating profit (EBITDA) of each of the Group's lines of business for the relevant reference period [7]. Such figures exclude intra-sector transactions between subsidiaries belonging to the same line of business, but show intra-group transactions which are condensed with the holding corporate results.

Gross Operating Profit (EBITDA)	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Integrated Water Services	433.0	349.6
Energy infrastructure	360.7	333.1
Commercial and trading	76.1	77.6
Environment	65.6	64.5
Engineering and services	18.0	14.5
Overseas	14.8	14.4
Corporate/Consolidation Adjs.	(34.9)	(13.7)
Consolidated EBITDA	**933.2**	**840.0**

[7] In the following tables Revenues, Costs and EBITDA are data rounded to the first decimal figure. Due to this rounding the values shown may not correspond exactly to the sum of its parts.

INTEGRATED WATER SERVICES AND GAS DISTRIBUTION

The Group is the leading provider of integrated water services to the Italian water market and the largest operator in Italy with a current customer base of approximately 9,000,000 Italian residents representing approximately 15 per cent. of the entire Italian market.[8]

In 2018, revenues from integrated water services amounted to Euro 801.3 million with an increase equal to Euro 94.3 million (13.3 per cent.) compared to the previous year (Euro 707.0 million). The net profits on non-financial investments related to water companies consolidated with the shareholders' equity method amounted to Euro 39.7 million, with an increase equal to Euro 15.6 million (64.7 per cent.) compared with the previous year (Euro 24.1 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's integrated water services business segment for the financial years ended on 31 December 2018 and 31 December 2017.

Integrated Water Services	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	801.3	707.0
Costs	408.0	381.5
Income from equity investments	39.7	24.1
Gross Operating Profit (EBITDA)	**433.0**	**349.6**

In Italy, the water sector (as well as the energy sector) is governed by the ARERA (formerly AEEGSI), an independent body established under Law no. 481 of 14 November 1995 in order to regulate and control the electricity and gas sectors. The ARERA has been vested with extensive regulatory powers, as Article 21 of the Save Italy Decree ordered the abolition of the national agency for regulating and supervising water matters (which had only recently been set up), providing that the related functions and intrinsic financial and instrumental resources should be transferred to the ARERA and to the Italian Ministry for the Environment. The district public authorities (the *Autorità di Ambito Territoriale Ottimale* or ATO[9]), in accordance with the provisions of the ARERA, give recommendations on the water tariff for the district subject to approval of the ARERA.

Integrated water services in Italy are managed by ACEA under the concession regime (*in regime di concessione*) in the following Italian regions:

(1) Lazio, where ACEA ATO 2 and ACEA ATO 5, respectively, provide their services in the provinces of Rome and Frosinone;

(2) Campania, where Gori S.p.A. ("**Gori**") provides water services in part of the province of Salerno and in part of the province of Naples;

(3) Tuscany, where the Group operates in the province of Pisa through Acque S.p.A., in the province of Florence through Publiacqua S.p.A., in the province of Arezzo through

[8] Source: data elaborated by the Issuer's management on the basis of publicly available information.

[9] For a detailed description of the ATO and the water tariff mechanism, please see "*Regulation*" below.

Nuove Acque S.p.A., in the provinces of Siena and Grosseto through Acquedotto del Fiora S.p.A. and in the province of Lucca through Geal S.p.A.; and

(4) Umbria, where the Group operates in the province of Perugia through Umbra Acque S.p.A. and in the province of Terni through Umbriadue Servizi Idrici S.c.a.r.l.

The service provided by the Group comprises (i) the management of the entire cycle of integrated water services from withdrawal at the springs to transportation via aqueducts and the water network, (ii) the distribution of water to end users and (iii) the purification of waste water in treatment plants.

Management of Water Services in Lazio

ATO 2 Central Lazio

The ACEA Group manages, as the sole operator, the integrated water services of ACEA ATO 2, covering Rome and its province, one of the largest Italian integrated water districts in terms of geographic area.

Supply sources supply drinking water are about 3,900,000 inhabitants of Rome and Fiumicino and more than 60 Municipalities of Lazio, through five aqueducts and a system of pipelines under pressure. Three additional sources of supply provide the resource not drinking water to be introduced into the Rome watering network.

At 31 December 2018, Acea Ato 2 manages a total of 6,749 kilometers of sewerage network, 632 sewage lifting systems - of which 195 in the territory of Roma Capitale - and a total of 167 treatment plants - of which 32 in the territory of Roma Capitale -, for a total of treated water equal to 569 million cubic meters (data referring only to the purifiers managed).

On March 16, 2018, the Transfer Report was signed with the municipality of Civitavecchia (effective April 3, 2018), for the sole Municipal Drinking Water Service, while from 1 July 2018 was acquired the sole management of purification and sewage systems of the municipality of Civitavecchia. The acquisition of the conduction has expanded the park of sewage lifts conducted by n. 35 plants of lifting and a purifier of potential equal to 86,400 ab / eq. The Company manages the purification system and the lifting systems annexed to the network and to the sewage collectors.

During the year the six main purification plants have treated a volume of water equal to about 490 million cubic meters, with a increase of around 4% compared to the previous year - (468 million cubic meters), due to higher rainfall than has affected the territory.

Sludge and sand production related to all the plants managed in 2018 was equal to about 70,000 tons, with a reduction of about 50,000 tons compared to 2017. This is due to regulatory uncertainty mainly related to the announced revision of the annexes of Legislative Decree 99/92, which should unequivocally regulate the characteristics of sludge suitable for agronomic recovery. To face this criticality, the Company has activated with targeted communications and with round-tables with Institutions obtaining the issuing of two ordinances that they have so allowed the management of the critical issues that are temporarily finding a solution based on the provisions of art. 41 of Law Decree 109/2018 converted with the Law n. 130/2018.

During the year 2018 there was a slight increase in the number of analyzes performed by Acea Elabori (external certified laboratory) compared to the average of previous years. The increase in determinations and of the analysis is attributable to the greater control of the purification plants managed and of the sewage networks related to them. This specific choice determines a more specific control on the managed territory.

ATO 5 South Lazio – Frosinone

ACEA ATO 5, ACEA's 98.45 per cent. owned subsidiary, is the company which manages the integrated water services of ATO 5 Southern Lazio – Frosinone covering a geographic area with a population of approximately 490,000 inhabitants and 86 municipalities. As of 31 December 2018, the number of end users of ACEA ATO 5 services totals 194,360 (covering a population of approximately 470,000 inhabitants). The company is also responsible for all other related, resulting or associated water activities. The water distribution network covers approximately 4,200 km and has a sewerage network of around 1,700 km which, via 132 linked treatment plants, manages the return of the treated water to the environment.

The sewerage-purification system comprises a network of sewers and trunk lines (1,775 km) connected to 122 waste treatment terminals. ACEA ATO 5 manages 209 sewage pumping plants and 108 biological waste treatment plants, as well as 14 Imhoff tanks and 2 percolating filters. Following the recognition and related assessment of users connected to the sewerage system, it was found that the coverage of this service is equal to approximately 68 per cent. of aqueduct users.

ACEA ATO 5 provides integrated water services on the basis of a thirty-year agreement entered into on 27 June 2003 between ACEA ATO 5 and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities).

Management of water services in Campania

Gori, a joint-stock company in which ACEA's 99.16 per cent. owned subsidiary Sarnese Vesuviano S.r.l. holds 37.05 per cent., is the company which manages the integrated water services of ATO 3 of the Campania region, known as the "*Sarnese Vesuviano*" area, where it provides water services in the northern part of the province of Salerno and in the southern part of the province of Naples. Gori provides integrated water services in 74 municipalities in the provinces of Naples and Salerno, with a surface area of 897 square kilometres involving a population of around 1,460,000 inhabitants. A total of 4,574 km of water network is currently being managed, consisting of a primary extraction network of 467 km, a distribution network of approximately 4,107 km, and a drainage system of approximately 2,409 km. Gori currently manages 10 water sources, 90 wells, 170 tanks, 101 water pumping stations, 174 waste water pumping stations and 7 waste treatment plants, including small plants for smaller settlements.

Gori provides integrated water services on the basis of an agreement entered into on 30 September 2002 between Gori and the Water District Authority of Sarnese Vesuviano, which has a duration of 30 years.

Management of water services in Tuscany

Acque S.p.A. ("**Acque**") is the company that manages the integrated water services of ATO 2 Tuscany – *Basso Valdarno* covering a geographic area with a population of approximately 773,429 inhabitants and 55 municipalities in 2018, in the provinces of Florence, Lucca, Pisa,

Pistoia and Siena. The water network covers nearly 6,000 km and the sewerage network is approximately 3,066 km long (with 139 linked treatment plants). ACEA's interest in Acque is through its 76.67 per cent. owned subsidiary, Acque Blu Arno Basso S.p.A. (after the purchase from Consorzio Toscano Cooperative of its one per cent. stake in Acque Blu Arno Basso S.p.A.), which in turn holds 45 per cent. of the share capital of Acque.

Acque supplies integrated water services on an exclusive basis in ATO 2 Tuscany on the basis of an agreement signed on 28 December 2001 (that came into effect on 1 January 2002) between Acque and the Water District Authority of Basso Valdarno, which has a duration of 20 years.

On 11 February 2015, the Water Regional Authority of Tuscany agreed upon the proposal submitted by the company to extend the concession period to 2026, and on 6 April 2016, an agreement was signed which confirmed such extension of the concession period.

Publiacqua S.p.A. ("**Publiacqua**"), in which ACEA's 75.01 per cent. owned subsidiary Acque Blu Fiorentine S.p.A. holds 40 per cent., is the company that manages the integrated water services of ATO 3 Tuscany – Medio Valdarno with an area of approximately 3,720 square kilometres. The area includes 49 municipalities, including the provinces of Pistoia, Prato and Florence, and comprised approximately 1,305,000 inhabitants in 2018.

Publiacqua supplies integrated water services on the basis of an agreement signed on 20 December 2001 (that came into effect on 1 January 2002) between Publiacqua and the Water District Authority of Medio Valdarno, which has a duration of 20 years. The water network covers nearly 7,155 km and the sewerage network is approximately 3,720 km long with 128 linked treatment plants.

Acquedotto del Fiora S.p.A. ("**Acquedotto del Fiora**"), in which ACEA's 99.51 per cent. owned subsidiary Ombrone S.p.A. holds 40 per cent., is the company that manages the integrated water services of ATO 6 Ombrone covering a geographic area of approximately 7,600 square kilometres in the provinces of Siena and Grosseto with a population of approximately 388,000 inhabitants in 2018 that increases, during the summer season, to approximately 600,000 inhabitants.

Acquedotto del Fiora supplies integrated water services, on an exclusive basis in ATO 6 Ombrone, on the basis of an agreement signed on 28 December 2001 between Acquedotto del Fiora and the Water District Authority of Ombrone. The concession term is 25 years from 1 January 2002.

In June 2015, Acquedotto del Fiora and a pool of banks entered into a project financing loan, for the refinancing of the outstanding debt and the financing of investments.

Nuove Acque S.p.A., in which ACEA's 35 per cent. owned subsidiary Intesa Aretina S.c.a.r.l. holds 46.16 per cent., is the company that manages the integrated water services of ATO 4 – Alto Valdarno ("**ATO 4**") covering a geographic area of approximately 3,270 square kilometres with a population of approximately 300.000 inhabitants. The area includes 37 municipalities in the province of Arezzo.

Nuove Acque S.p.A. supplies integrated water services, on an exclusive basis in ATO 4, on the basis of an agreement signed on 1 June 1999 between the company and the Water District Authority of Alto Valdarno. The concession term is 25 years from 1 June 1999.

Crea S.p.A. – under liquidation, a wholly-owned subsidiary of ACEA, through which ACEA maintains a presence in ATO 1 – Northern Tuscany, holds a 48.00 per cent. stake in GEAL S.p.A. ("**GEAL**"), which is the only operating subsidiary. GEAL is the integrated water services operator in the municipal territory of Lucca, on the basis of a concession between the company and the Municipality of Lucca expiring on December 2025.

Management of water services in Umbria

Umbra Acque S.p.A. ("**Umbra Acque**"), in which ACEA holds a 40 per cent. stake, manages the integrated water services of ATO 1 Perugia with a geographic area of 4,300 square kilometres, approximately 500,000 inhabitants in 2018 and 38 municipalities. The water network covers nearly 6,255 km and the sewerage network is approximately 3,500 km long, with 170 linked treatment plants. Umbra Acque provides integrated water services on the basis of an agreement entered into on 18 December 2002 between Umbra Acque and Water District Authority of Perugia, that came into effect on 1 January 2003, which has a duration of 25 years. Umbra Acque's concession will expire on 31 December 2027.

On July 2015, the board of directors of Umbra Acque passed a resolution to buy one per cent. of Aquaser's share capital.

The Issuer through Crea Gestioni S.r.l. ("**Crea Gestioni**") and Technologies for Water Services S.p.A. ("**TWS**"), both wholly-owned subsidiaries of ACEA, holds a 99.2 per cent. interest in Umbriadue Servizi Idrici S.c.a.r.l. ("**U2**"), which holds a 25 per cent. stake in Servizi Idrici Integrati S.c.p.a., the integrated water services operator in the province of Terni – ATO 4 of Umbria.

Management of Gas Distribution

On 11 October 2018, ACEA entered into an agreement with the companies Alma C.I.S. S.r.l. and Mediterranea Energia SCARL for the acquisition of 51% of the share capital held by them in the company Pescara Distribuzione Gas S.r.l., active in the distribution of methane gas in the Municipality of Pescara. The two seller companies, which will retain 49% of the share capital, will participate in synergy with ACEA in the industrial management of the infrastructure.

Pescara Distribuzione Gas manages the entire distribution network of the Municipality of Pescara and owns about half of it, the remainder belongs to the municipality, for a total of 325 km of network and about 62 thousand grid points. The economic value of the transaction, in terms of enterprise value for 100% of the company, is € 17 million. Following the transaction it will be consolidated by ACEA at 100%.

ENERGY INFRASTRUCTURE

The Group is the third largest electricity distributor in Italy[10] in terms of volumes of energy distributed and the second largest operator by number of end users. It distributes electricity to the municipality of Rome, serving approximately 2.8 million inhabitants as at 31 December 2018. The Group also manages the municipality's public lighting and floodlighting service with over 220,000 light points.

[10] Source: 2018 Annual Report of ARERA, 31 March 201.

In 2018 revenues from the Energy Infrastructure business segment amounted to Euro 687.2 million, an increase equal to Euro 28.1 million (4.3 per cent.) as compared with the previous year (Euro 659.1 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Energy Infrastructure business segment for the financial years ended 31 December 2018 and 31 December 2017.

Energy Infrastructure	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	687.2	659.1
Costs	326.5	326.1
Income from equity investments	0.0	0.0
Gross Operating Profit (EBITDA)	**360.7**	**333.1**

The increase in EBITDA is a result of the tariff dynamics of electricity distribution sector due to the tariff updates of the fifth regulatory period and of the increase of net accounting, the mechanism through which the invested capital of electricity distribution companies is remunerated by eliminating the, so called, regulatory lag.

Energy Distribution

The Group's energy distribution activities are operated through ARETI, a wholly owned subsidiary of the Issuer.

ARETI runs the electricity distribution services in the municipalities of Rome and Formello.

In the municipality of Rome, ARETI serves approximately 1,627,000 users, corresponding to approximately 2.8 million inhabitants by means of a grid of cables and overhead lines covering more than 310,000 km.

ARETI also carries out the planning, design, construction and maintenance of high-voltage primary distribution plants and medium and low-voltage secondary distribution networks. ARETI also manages the cemetery lighting systems in the municipality of Rome.

The overall amount of electricity injected into ARETI's network (from the national grid, generating plants linked directly to ARETI's network and e-distribution interconnected network) for the year ended 31 December 2018 remained stable compared to the previous year.

Public Lighting Services

ACEA manages the public lighting and floodlighting service in the municipality of Rome, on the basis of a 30-year concession agreement that will expire in 2027. In March 2011, ACEA and the municipality of Rome renewed a management contract governing performance-related services for public lighting which will expire in 2027.

Such services include: (i) network modernisation; (ii) the installation of remote control units for public lighting equipment; (iii) plant repairs and maintenance; and (iv) artistic maintenance.

The services were entrusted to ACEA's wholly owned subsidiary Acea Illuminazione Pubblica S.p.A. ("**AIP**") until December 2016.

In the context of the reorganisation of the Group, the partial spin-off of AIP's business unit concerning structures in the technical and operating activities relating to "Rome public lighting" in favour of ARETI became effective at the end of December 2016, and such business unit has become the vehicle through which the Group takes part in tenders for public lighting services. In 2018, ARETI installed a total of 935 lighting points for Roma Capitale and other third party customers.

Energy Generation and Cogeneration

The Issuer operates in the electricity generation area mainly through Acea Produzione S.p.A. ("**AP**"), a subsidiary owned 81 per cent. by Acea Energia S.p.A. and 19 per cent. by the Issuer, carrying out the activities of power generation and cogeneration (district heating);

The AP production system comprises a series of power generating plants with a total installed capacity of 251.1 MW, including five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzo), two "mini hydro" plants in Cecchina and Madonna del Rosario, and two thermoelectric plants in Montemartini and Tor di Valle. At the end of 2017 AP completed the repowering of Tor di Valle plant, which is equipped with two high performance cogeneration engines, each with electrical power of 9.5 MW, for a total of 19 MW, plus three integrated boilers and 6 storage tanks to provide electricity in SEU (*Sistema Efficiente di Utenza* – Efficient Utility System) of the utilities of the Rome Sud treatment plant and the thermal energy needed to provide district heating service to the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome. With the completion of the construction of the Tor di Valle plant, the old cogeneration model, made up by an open-cycle 19 MW electric gas turbine in operation since the early 80s, will be disposed of, in line with the provisions of the Integrated Environmental Authorisation.

The photovoltaic plants remaining in AP following the total demerger of ACEA RSE in December 2015 must be added to this, with a total installed power of 8.6 MWp.

Through its directly owned plants, in 2018 AP achieved a production volume of 424.5 GWh of which (i) 467.5 GWh from hydroelectric plants, (ii) 2.6 GWh from mini hydro plants, (iii) 68.4 GWh from thermoelectric production, and (iv) 10.1 GWh from PV production.

In the district heating segment, through the cogeneration module of the Tor di Valle power plant, AP supplied heat to 3,244 end users located in the Torrino Sud and Mostacciano districts (located in the southern part of Rome) for a total of 73.1 GWh.

2018 was the eleventh year of operation of the Montemartini plant as a generating unit essential to the security of the National Electricity System, pursuant to AEEGSI Resolution No. 111/06, as part of the National Electricity System Security Plan – Emergency Plan for the City of Rome.

Acea Liquidation and Litigation S.r.l. (formerly Elgasud S.p.A., "**Acea LL**"), which operates in the Puglia and Basilicata regions, was set up on 10 November 2006 under a joint venture agreement between Amgas Bari, Amet Trani and AE. After the acquisition by AE of the 49 per cent. stake formerly indirectly owned by Amgas Bari and Amet Trani on 24 April 2015, the company is wholly owned by AE. On 10 December 2015, AE sold the company to the Issuer. Acea LL manages also residual photovoltaic plants.

Ecogena

As a result of the total spin-off of ACEA RSE on 30 December 2015, Ecogena S.p.A. ("**Ecogena**") is a wholly-owned subsidiary of AP. Nowadays, Ecogena is ACEA's Energy Service Company, owns some energy cogeneration and local district heating plants, and offers services for heat management and energy efficiency for Business customers, real estate industry, Public Administration and residential complexes, also in EPC (energy performance contract) mode, starting from energy audit up to energy management phase, through the implementation phase of the intervention and managing the recognition of incentives provided for by current regulations.

In 2018, the Europarco power plant extension has began, following the signing of the Energy Service supply contract with ENI, that has been connected to the Europarco District Heating.

The initiatives envisaged by the reorganization plan for the relaunch of the company continued with the reduction of maintenance costs, the recovery of receivables, an internal review of some active contracts in order to reduce disputes and claims against end customers, the termination of some contracts that generate losses and the construction of Europarco.

COMMERCIAL AND TRADING

The Issuer operates in the Commercial and Trading business segment through the following main subsidiaries:

- Acea Energia S.p.A. ("**AE**"), a wholly-owned subsidiary, carrying out the activities of sales of electricity and gas and related services to final users and, after the merger with Acea Energia Holding S.p.A. ("**AEH**") in 2014, also the activities of trading energy, gas and heat in the domestic and international market; and

- Acea Energy Management S.r.l. ("**AEMA**"), a wholly-owned subsidiary established on 16 October 2015 whose corporate purpose is the supply of electricity, gas and fuel to the customers of the Group, as well as the management and optimisation of the energy portfolio. AEMA handles the commercial relations with the main national and foreign suppliers of electricity and gas and oversees the management of energy consumption levels.

In 2018, revenues from the Commercial and Trading business segment amounted to Euro 1,693.2 million, with an increase equal to Euro 116.5 million (7.4 per cent.) as compared with the previous year (Euro 1,576.7 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Commercial and Trading business segment for the financial years ended on 31 December 2018 and 31 December 2017.

Commercial and Trading	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	1,693.2	1,576.7
Costs	1,617.1	1,499.1
Income from equity investments	0.0	0.0
Gross Operating Profit (EBITDA)	**76.1**	**77.6**

Energy Management

AE carries out the energy management activities for the Group, in particular with respect to sale and production.

AE may act directly as the contractor, pursuant to art. 7 of Legislative Decree No. 50 of 18 April 2016, under the relevant supply contracts from affiliate companies belonging to the Group which were also the contracting entities.

The company also liaises with the Energy Market Operator ("**GME**") and with Terna S.p.A. ("**Terna**"). In relation to Terna, AE is the shipper for dispatching on behalf of AP and other companies in the ACEA Group.

It performs the following main activities:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant;
- the negotiation of fuel procurement contracts for the power generating plants;
- the procurement of natural gas and electricity for the sales company to sell to end customers; and
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

In 2018, AE purchased a total of 9,784 GWh of electricity from the market, of which 6,028 GWh through bilateral agreements and 3,756 GWh through the Power Exchange, for resale to free market end users and partly residual for the optimisation of the energy flows and purchases portfolio.

Electricity and gas sales

In 2018, AE continued to refocus its marketing strategy with a more widespread analysis and careful selection of customers which tends to favour contracting small-sized customers (residential and microbusiness).

In 2018, the sale of electricity on the enhanced protection market subject to additional safeguards amounted to 2,344 GWh, a reduction of 11.6 per cent. compared to the previous year. The number of withdrawal points totalled 832,719 (compared with 893,319 as at 31 December 2017). Such reduction is due to increased competition from AE's main competitors in the Rome market, to which AE responds through the constant marketing of its services to maintain its customer portfolio.

In 2018, the sale of electricity on the free market amounted to 3,345 GWh for AE and 340 GWh for the retail joint ventures, for an overall total of 3,685 GWh. This represents a decrease of 12.1 per cent. compared to the previous year. As at 31 December 2018 there were 331,576 free market customers, compared with 319,576 as at 31 December 2017.

In 2018, AE sold 128.3 million standard cubic metres of gas to 172,755 final customers and wholesalers as compared to 103.0 million standard cubic metres in 2017, representing an increase of 24.6 per cent.

AE also operates in local markets through the following joint ventures:

- ***Umbria Energy S.p.A.*** ("**UE**"), which operates in Umbria, was set up on 24 September 2004 as a joint venture between ASM Terni S.p.A. and AE, with each shareholder holding 50 per cent.

- ***Cesap Vendita Gas S.r.l.*** ("**CVG**"). As part of the restructuring of the investment in the Sin(e)rgia Group, in February 2015 UE took over 100 per cent. of CVG through a capital increase by contribution in kind of UE's credit with CVG. This investment was previously held by Si(e)nergy S.p.A. in liquidation.

Customer Care

The main business of Acea8cento S.r.l., a wholly-owned subsidiary of ACEA, is planning and performing customer care services for the companies of the ACEA Group through all the long-distance channels. The company works in partnership with the companies of the ACEA Group throughout the development, acquisition and consolidation phases in relation to new customers and deals with customers' satisfaction, retention and value enhancement in relation to old customers.

ENVIRONMENT

The Environment business segment coordinates the activities of the Group companies operating in the areas of waste management and waste-to-energy conversion. The Group operates in such areas in Umbria, Lazio and Tuscany. The overall amount of waste treated in 2018 was approximately 1,120 kTon, an increase of 44 kTon (4.1 per cent.) on 2017 (approximately 1,077 kTon). The total amount of electricity sold in 2018 was approximately 355 GWh, an increase of 1 GWh (10.2 per cent.) compared to the previous year (approximately 354 GWh).

In 2018, revenues from the Environment business segment amounted to Euro 173.9 million, an increase of Euro 12.8 million (7.9 per cent.) compared to the previous year (Euro 161.1 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Environment business segment for the financial years ended 31 December 2018 and 31 December 2017.

Environment	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	173.9	161.1
Costs	108.3	96.7
Income from equity investments	(0.0)	(0.0)
Gross Operating Profit (EBITDA)	**65.6**	**64.5**

The main Group companies operating within the Environment business segment include Acea Ambiente S.r.l. ("**ACEA Ambiente**") and companies within the transport and recovery of treatment sludge sector (each described below).

Acea Ambiente

ACEA's wholly-owned subsidiary ACEA Ambiente, previously called A.R.I.A. S.r.l., in addition to the coordination and provision of services to its wholly-owned subsidiary S.A.O. S.r.l., is engaged in the management of waste treatment plants, the recycling and disposal of solid urban and special waste, renewable electricity production and waste management, as well as in the direct management of assets contributed by its plants. The company has electricity vending relations with AE to which it transfers volumes of energy produced by the two lines of the San Vittore plant in excess of the volumes purchased under the CIP 6/92 regime by Gestore dei Servizi Energetici S.p.A. (GSE), by the new line of San Vittore del Lazio plant rebuilt in 2016 and by the line of the Terni plant, the state-owned company which promotes and supports renewable energy sources.

ACEA Ambiente is considered a major waste operator in Umbria and Lazio and manages the UL1, UL2 and UL3 plants.[11]

Moreover, with the aim of significantly boosting business within this segment, overcoming the fragmentation and redundancy of the structures dealing with strategic processes (in particular, trade development), business and staff and enabling a greater focus on the activities covered by the strategic plan, the following strategic transactions were carried out:

Bioecologia S.r.l.

On 29 November 2018, ACEA Ambiente acquired from Siena Ambiente S.p.A. the 100% of the share capital of Bioecologia S.r.l., a company operating in the liquid waste purification, treatment and intermediation sector. The activity is carried out in the treatment plants located in the municipalities of Chiusi, Buonconvento and Colle Val d'Elsa.

Following the Board of Directors' meeting of 7 December 2018, convened for the establishment of the new management, after an initial phase of reconnaissance of the plants and processes, the appropriate initiatives were initiated to resolve some critical issues and to set the plan for rationalization and development of the business activities of Bio Ecologia Srl, in accordance with the provisions of the Director of the Environment Area of ACEA.

In particular, the focus was on the aspects of managing worker safety and complying with environmental requirements.

On environmental issues, special attention was paid to the verification and monitoring of emissions of the company's production sites, in accordance with the authorised requirements. All the analytical determinations that have been issued to the accredited laboratory demonstrate that the authorised limits have been respected.

In the short term since the takeover of the plants, much of the activity has therefore focused on analysing potential environmental issues and identifying priority interventions to prevent or mitigate them.

It is clear that all the most important plant redevelopment projects proposed at this stage have also been sized in anticipation of the future plant revamping works.

[11] Source: ISPRA Report "Rapporto Rifiuti Urbani – Appendice Quadro Regionale".

At the end of February 2017, ACEA acquired ISECO S.p.A. as part of the acquisition of the TWS Group (Technologies for Water Services).

The company ISECO S.p.A is part of the environment area of the TWS Group: it has been operating since 1987 in the sector of water services and in the production of whey powder, dealing with the executive design, construction and management of industrial ecological plants, also with complex technology and public service, and managing the plant for drying of whey from Saint Marcel, in the Valle d'Aosta region.

Terni waste-to-energy plant (UL 1)

The waste-to-energy plant located in Terni produces electricity from renewable sources, and operates specifically in a pulper paper mill waste to energy plant.

The waste pulper contributions allowed the plant to meet the combustible requirements for the entire year and reach expected performance levels as regards both waste pre-treatment and the production of electricity. Some interventions were made in 2016 to enhance plant performance, leading to increased efficiency in terms of containing operating costs. The verification procedure implemented by the GSE has been successfully completed.

Acea Ambiente has submitted an authorisation request for expansion of the category of non-hazardous waste that may be treated for energy recovery purposes. The procedure for the relevant Environmental Impact Assessment (*Valutazione di Impatto Ambientale – VIA*) is currently in its verification phase before the competent offices of the Umbria Region.

Paliano RDF production plant (UL 2)

The Paliano RDF production plant has a single authorisation for the production of Refuse Derived Fuel ("**RDF**"), expiring on 30 June 2018. The renewal process of the single authorisation is ongoing and the *Conferenza dei Servizi*, the relevant decision making body, is expected to meet by 31 December 2018.

In June 2013 the plant was partly destroyed by a major fire, and the facility was subsequently seized by the judicial authorities for evidentiary purposes until November 2014. After completion of the technical assessment, as required by the judicial authorities, ACEA Ambiente carried out analytical and structural studies to implement an action plan to clean the affected areas and replace and rebuild the RDF production plant. In 2015, following a complex analysis with the competent territorial bodies, the plants and buildings affected by the accident were cleaned and demolished, and the first part of the requalification of the industrial site was concluded.

ACEA Ambiente subsequently took steps to obtain building permits to reconstruct the affected buildings. The work carried out so far and the additional procedural authorisation obtained by ACEA Ambiente will make it possible to reopen the analysis procedure to obtain an integrated environmental authorisation ("**Integrated Environmental Authorisation**") (*Autorizzazione Integrata Ambientale – AIA*) for the plant's operation. In order to resume RDF/SSF production as soon as possible, ACEA Ambiente has already begun the procedure for selecting the contractor who will rebuild the plant. Environmental surveys were carried out in accordance with planning time estimates approved by the competent area authorities. The surveys performed on site in December 2015 confirmed there was no contamination. The schedule of controls was then completed. In December 2015, ACEA Ambiente determined the

compensation for damages suffered in the fire to be equal to Euro 5.2 million and obtained a refund.

The environmental checks have been completed according to the planning provisions approved by the competent territorial authorities, confirming the absence of contamination due to the fire which occurred in 2013. However, contamination thresholds were exceeded in the water supply, which are likely to be linked to the base values present in the Castellaccio di Paliano area, which is mainly formed of volcanic soil. In accordance with applicable law, ACEA Ambiente submitted the environmental check plan to the competent authorities, which will need to authorise the beginning of the monitoring phase. As regards the authorisation for the reconstruction and operation of the CDR/CSS production plant, on 18 October 2017 the Office of Public Works, Maintenance and Regional Planning of Paliano expressed an unfavourable opinion in the decision making AIA Conference on the compatibility of the CRD/CSS production plant in the municipality of Paliano. Therefore, Acea Ambiente has undertaken legal action before the competent Administrative Court that is still ongoing.

San Vittore del Lazio waste-to-energy plant (UL 3)

The San Vittore del Lazio waste-to-energy plant also produces electricity from renewable sources, and, specifically, from RDF.

Plant reconditioning works were completed in 2011 through the implementation of lines two and three of the plant, while works for the complete renovation of line one were completed in October 2016.

In 2015, lines 2 and 3 of the plant demonstrated high performance, both in terms of the electricity produced and in terms of RDF used for energy recovery. Both lines recorded over 8,000 operating hours/year. Measure No. G00063 of 13 January 2016, notified on 26 January 2016, granted the new Integrated Environmental Authorisation valid for 8 years from 24 July 2013 to 24 July 2021. This authorisation completes the procedure for renewing the Authorisation for construction and operating the plant, meaning significant rationalisation in terms of authorisation requirements for the San Vittore del Lazio plant. The procedure in question will also make it possible to begin some additional work on the industrial site to improve the quality of communal and staff areas.

In January 2017, the procedure for the renewal of the Integrated Environmental Authorisation of the plant was obtained and the coordinated Environmental Impact Assessment (*Valutazione Impatto Ambientale – VIA*) / Integrated Environmental Authorisation applications were also submitted to the Lazio Region to update the Integrated Environmental Authorisation for the plant with operations on three lines, to be used at the maximum thermal load levels. The process ended with a positive outcome in June 2017. Lines 2 and 3 of the plant, which are currently operating under normal conditions, permitted regular operations during the course of 2016 until today, in terms of both the electricity produced and the CDR started for energy recovery. As regards Line 1, the reconstruction was completed during September 2016 and the plant has been working at its full capacity since October 2016. The start of ordinary operations for this plant was authorised on 13 April 2017.

Orvieto waste dump plant (UL4) formerly SAO S.r.l.

The waste dump plant is located in the municipality of Orvieto and manages urban and special waste. In particular, on the same site there is a non-hazardous waste dump, currently being

cultivated, and a non-separated biological mechanical waste treatment plant for the separation and sale of organic waste from separate collection. In March 2014, the company began waste treatment plant reconditioning and, as a consequence, waste transfer to this plant ceased on 30 April 2014. During 2014, the company completed the construction of the frontal capping and filed the relevant environmental authorisation application to make substantial changes to the Orvieto plants. The aim of the project is to achieve the following: (i) the extension of landfill volumes, with an alternative cultivation system to optimise the running of currently managed areas, (ii) an increase in the net capacity of the landfill, (iii) extension of the useful life of the landfill guaranteeing continuity of the essential public service for the municipal waste processed, (iv) management of area planning and the option to deal with mutual assistance as required by current Regional Legislation across ATOs, (v) control of the tariff for the disposal of waste in the landfill for the benefit of the Municipalities using the same, and (vi) a reduction in the use of natural resources as technical materials.

In July 2015, the third and final Services Conference was held after which the Orvieto waste dump plant filed an Integrated Environmental Authorisation application to make substantial modifications to the Orvieto waste dump plant. At the Integrated Environmental Authorisation Services Conference the examined material was unanimously approved. Subsequently, the competent Regional Authority re-commenced the Environmental Impact Assessment procedure and in September 2015 and November 2015 Environmental Impact Assessment conferences were held in which the Orvieto waste dump plant described the above project to the participating bodies. On 13 January 2016, the President of the Committee for Regional Coordination on Environmental Assessment called a meeting of the committee to carry out an assessment.

The principal revamping work was done on the Orvieto waste treatment plant. This made the first parallel with the grid operator possible with the progressive start-up of all sections of the plant in the last quarter of the year. On 30 October 2015, the company bought out the biogas to energy plant business owned by another company. The biogas is produced in the Orvieto waste dump plant.

As part of a survey on waste to energy plants in the Province of Terni, in November 2015, the GSE carried out an audit in accordance with art. 7 of Law 241/1990, concerning the renewable energy sources (RES) qualification of the Orvieto Biogas plant. The Terni Provincial Authority confirmed that the Orvieto plant’s operations and waste recovery activities were also fully compliant with the provisions of the applicable law. The GSE completed its analysis of the procedure for the access to incentives with a positive valuation.

In 2016, in compliance with the Integrated Environmental Authorisation and the signed contracts, the conferment of urban and special non-hazardous waste continued, starting the recovery and disposal operations in accordance with the terms provided therein. As regards the recovery plant, performance in 2016 was characterised by a phase of stabilisation of the new treatment and composting plant within the energy recovery section. With regards to the project submitted in 2014 for the morphological adjustment of the site and the optimisation of volumes and frontal capping, the Umbria Region interrupted the checking phase without justification and, therefore, the company has undertaken the necessary legal action.

In addition, in May 2017 Acea Ambiente appealed to the courts for the annulment of a resolution of the Umbria Regional Council, as well as of all related administrative acts. Pursuant to such resolution, the Umbria Regional Council qualified as "insurmountable" the objection expressed by the municipality of Orvieto in the context of the coordinated

Environmental Impact Assessment / Integrated Environmental Authorisation procedure relating to the project for the morphological adjustment of the Orvieto site and the optimisation of volumes and frontal capping. Following a series of institutional meetings held at the Umbria Region's offices in June, July and September, Acea Ambiente submitted an amendment to the project that allowed the verification of environmental compatibility activities during the Environmental Impact Assessment to continue. The work of the Services Conference restarted in January 2018. The process (Environmental Impact Assessment – *Valutazione di Impatto Ambientale* or *VIA*) ended with a positive outcome in June 2018, with a new capacity authorization for about 400,000 tonnes.

The transport and recovery of treatment sludge activities

All the activities of transport and recovery of treatment sludge were previously carried out by Aquaser S.r.l., Kyklos S.r.l., Solemme S.p.A. (from 1 July 2015. the merger of S.A.MA.CE. S.r.l. into Solemme S.p.A. came into effect) and Isa S.r.l. Until the end of 2015, such companies were called the "Aquaser Group". Since 2016, due to the corporate reorganisation described above, the quota and shares in these companies belong to Aquaser (ISA) and ACEA Ambiente (Kyklos S.r.l. and Solemme S.p.A.).

The facilities of the former Aquaser Group, through the treatment of sewage sludge coming from the integrated water operators of the Group, allow significant synergies between the Group companies operating in the environmental sector and those in the water sector. The integrated water operators, which are required by law to dispose of sewage sludge that is produced at the end of the water cycle process, can reduce the costs of such disposal by transferring their final waste to specialised environmental facilities instead of disposing of them in landfills or at other sites outside the Group. At the same time, the environmental companies benefit from a continuous and consolidated supply of organic waste to be converted into marketable products.

AQUASER S.r.l. ("**AQUASER**") was set up in order to manage ancillary services associated with the integrated water services, undertaking the recovery and disposal of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste, and providing services connected thereto. The company is 88.29 per cent. owned by ACEA, 8.00 per cent. owned by Acquedotto del Fiora, 1.00 per cent. owned by Umbra Acque, 1.00 per cent. owned by Publiacqua and 1.71 per cent. owned by Acque.

AQUASER currently transports and recovers sludge for most of the water companies in the ACEA Group. The location of the plants is important: two in Lazio, which process the sludge transferred under the contract with ACEA ATO 2 and ACEA ATO 5, and one in Tuscany near Grosseto, which processes the sludge transferred under the contracts with companies operating in Tuscany and Umbria, resulting in a reduction of transportation costs.

During 2015, AQUASER started providing a sludge dewatering, loading, transportation and recycling/ disposal service also for GE.SE.SA. Recycling activities involved spreading the sludge on farmland (on the basis of an authorisation mainly held by AQUASER) or conferred to the composting plants of controlled/ associate companies or those of third parties, while the remaining waste was disposed of almost entirely in third party treatment plants/dumps.

ISA S.r.l. ("**ISA**"), a company which merged into Aquaser with effect from 1 November 2016 after the corporate reorganisation process described above, previously operated in the services,

logistics and transportation sectors, with a strategic importance to reach market consolidation objectives.

ISA was bought to strengthen the group organization and provide group services in a more independent way, not only transportation but also services relating to other activities associated with and complementary to the farmland spreading of sludge, the maintenance of the drying beds and automatic discharge services, which have led to a significant increase in business activities. ISA's services are almost exclusively provided to associate companies. ISA currently has its own fleet for haulage activities.

Aprilia waste treatment plant (UL7), previously called Kyklos S.r.l. ("KYKLOS")

With effect from 29 December 2016, KYKLOS merged into ACEA Ambiente after the corporate reorganisation process described above. The plant operates in the waste treatment sector.

It produces and markets mixed compost conditioners; in particular it operates in the areas of Campoverde in Aprilia on the basis of a single authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina with a maximum capacity of 66,000 tonnes/year.

On 28 March 2013, the company obtained the permission to increase capacity to up to 120,000 tonnes per annum through the construction of a biogas plant with the recovery of electricity and heat energy. In January 2016, its business activities resumed, after being subject to the seizure ordered by the Deputy Public Prosecutor's Office of the Court of Latina due to an accident which had occurred in 2014 in the company's composting plant where two people working for one of the external contractors died. While the plant was under seizure, it was impossible for KYKLOS to generate revenues, and as it was obliged to pay the costs of its financial commitments, ACEA provided KYKLOS with the necessary financial resources to cover its debts.

The plant reopened on 1 June 2016 and resumed its normal operations. The restrictions imposed by the competent Authorities for the return to operations following the release of the plant, have affected the potential of the plant during this initial phase. In December 2016, the works for the realisation of the new plant configuration were started, and this will enable the expansion of the current treatment capacity of the plant, also thanks to a new energy recovery section.

In 2017, the plant carried out ordinary operations, which involved the treatment of different types of authorised waste. However, in December 2017, supervisory authorities issued a preventive urgent seizure order for the entire plant, following an audit that found that strong miasmas coming from the production cycle were causing discomfort to citizens living in the immediate vicinity of the plant. Subsequently, the Lazio Region notified a formal order to adopt a number of measures in order to remedy the critical issues.

Although Acea Ambiente believes that it can prove that the system has been managed in compliance with the requirements of the Integrated Environmental Authorization, the company is also adopting the measures imposed by the Lazio Region in a timely manner and is confident about the imminent resolution of the issue. In May 2018, Acea Ambiente UL7 plant partially restarted its activities.

Monterotondo Marittimo plant (UL5) and Sabaudia plant (UL6), previously called SOLEMME S.p.A. ("SOLEMME")

With effect from 29 December 2016, SOLEMME merged into ACEA Ambiente after the corporate reorganisation process described above. The plants, after the merger of S.A.MA.CE. S.r.l. into SOLEMME, have operated since 1 July 2015 in the waste recycling sector, composting organic waste, in particular sludge, from civil waste treatment and producing mixed compost conditioners. Therefore, the two plants are: **(i)** the *Monterotondo Marittimo plant* (UL5), a composting plant which is included in the Grosseto Provincial Authorities' waste management plan; and **(ii)** the Sabaudia Plant (UL6), which recycles and disposes of waste according to the Integrated Environmental Authorisation issued by the Lazio Regional Authority.

The reference market of the *Monterotondo Marittimo plant* is residential sludge produced in Tuscany, and, in particular, within the territorial scope of ATO6 Ombrone, in the Provinces of Grosseto and Siena as well as from the treatment of waste from separate collection.

With specific reference to the *Monterotondo Marittimo* plant, under Tuscany Regional Decree 3866, in June 2016 the Integrated Environmental Authorisation was granted for operating the plant in its current configuration and for the realisation of the expansion plan, consisting of enhancing the current plant and including an anaerobic digestion section. The procedure for identifying the business entity that will deal with the executive design and realisation of the new plant layout was completed and, in April 2018, the construction of the new areas of the plant started. The monitoring and control activities requested under the Integrated Environmental Authorization were carried out, while the plant continued to carry out its existing operations. On 7 February 2017, the Tuscany Region issued Regional Decree No. 1175, pursuant to which Acea Ambiente obtained the Integrated Environmental Authorization initially issued in favour of the incorporated SOLEMME.

With regards to the *Sabaudia plant (UL6)*, during the third quarter of 2015 the company filed an application to increase its capacity by up to 50,000 tonnes per annum of compostable waste, with the construction of a new aerobic composting section, so as to attain an overall capacity of 78,000 tonnes per annum of treatable waste.

The plant currently operates on the basis of a formal extension of the current authorisation by the Lazio Region, while awaiting the conclusion of the renewal process, which is expected to occur by the end of 2018. The operation of the plant has been suspended in order to carry out renovation works, including with respect to certain large squares and buildings and to electrical and electro-mechanical devices used in the context of process management systems. Ordinary activities are expected to be resumed before the end of 2018. In addition, Lazio Region requested clarifications and additional details to Acea Ambiente as a result of the Services Conference held in order to assess environmental compatibility of Acea Ambiente's request to increase the treatment capacity of the plant. As of the date of this Base Prospectus, the process is close to its conclusion.

ENGINEERING AND SERVICES

The Engineering and Services business segment of the Group has a developed know-how in the design, construction and management of integrated water systems and develops research projects aimed to the technological innovation in the water, environmental and energy sectors.

Particular importance is dedicated to laboratory services (analytical controls) and engineering consultancy.

In 2018, revenues from the Engineering and Services business segment amounted to Euro 71.8 million, a decrease of Euro 10.8 million (13.1 per cent.) compared to the previous year (Euro 82.6 million). The net profits on non-financial investments related to companies consolidated with the shareholders' equity method amounted to Euro 2.3 million, in line with the previous year.

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Engineering and Services business segment for the financial years ended on 31 December 2018 and 31 December 2017.

Engineering and services	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	71.8	82.6
Costs	56.1	69.8
Income from equity investments	2.3	1.8
Gross Operating Profit (EBITDA)	**18**	**14.5**

Acea Engineering Laboratories Research Innovation S.p.A. ("**Acea Elabori**"), previously called LaboratoRI S.p.A., is ACEA's wholly-owned subsidiary within the Group principally responsible for undertaking research and development projects. Acea Elabori provides engineering, laboratory, research and innovation services in the sectors of the water, waste and energy cycle, as well as asset management and facility management services, across all the areas of interest of the Group.

The activities carried out concern the various fields of technical-managerial interest, which include analytical checks on the integrated water and waste cycle, protection and optimisation of the use of water resources, design and construction of works for the integrated water service and for treatment – disposal – energy recovery from waste and for the production of hydroelectric and thermoelectric energy.

Laboratory activities

The laboratory offers analytical services on the various environmental matrices connected with the prescriptions dictated by relevant regulations.

In 2018, as part of the analytical activities carried out on water intended for human consumption, analytical services were performed on 13.334 samples and 451.365 analyses were carried out against the 420,011 analyses in 2017. With reference to the checks carried out for wastewater (sewage and treatment systems managed by the Group), 10,719 samples were analysed for a total of 179,197 analyses (8,595 samples and 215,377 analyses in 2017).

Engineering activity

Acea Elabori provides engineering services to companies operating in the Integrated Water business segment, in particular to ACEA ATO 2 and ACEA ATO 5.

In addition, Acea Elabori provides engineering services in favour of companies operating in other business segments. These services include designing and managing projects relating to

the treatment of waste and to the production of hydroelectric and thermoelectric energy, as well as "specialist and support" related activities.

Design activities concerned both interventions in the field of treatment and sewerage, in particular aimed at eliminating discharges that do not comply with regulations, and interventions related to drinking water, aimed at improving the service and eliminating non-compliant supply sources in terms of water quality.

The works carried out on behalf of ACEA ATO 2 involved the construction of works related to the water distribution system, such as supplying, power supply, water networks and compensation tanks, and works relating to the environmental sector, such as collectors and sewers, strengthening / upgrading or new construction of treatment plants and technological revamping.

The works management activity also involved the execution of archaeological excavations and reclamation of war devices as necessary for obtaining preventive authorisations during the design and construction of the works.

Research and innovation activities

Acea Elabori also conducts research and innovation in the water, environmental and energy sectors and develops applied research projects aimed at technological innovation.

Water activities concern the various aspects of the entire water cycle, such as the protection of water resources, the optimisation of their use, the treatment of waste water, the treatment of water intended for human consumption, environmental monitoring, definition and implementation of monitoring networks, the rationalisation of the management of water networks and the development of drainage models for sewage systems.

Activities for the environment and energy infrastructures business segments are focused on environmental impact assessments and industrial treatment processes.

TWS offers a complete range of activities in the design, construction and management of plants for the management of integrated water service.

OVERSEAS

The companies of the Overseas business segment of the Group provide integrated water services in Latin America (notably in Honduras, Dominican Republic, Colombia and Peru), with a customer base of approximately 3 million people. The activities of the Overseas segment are conducted with local and international partners, including through training of staff and transfer of expertise in favor of local entrepreneurs.

In 2018, revenues from the Overseas business segment amounted to Euro 37.5 million, an increase of Euro 2.4 million (+6 per cent.) compared to the previous year (Euro 35.1 million). The net profits on non-financial investments related to companies consolidated with the shareholders' equity method amounted to Euro 1.1 million in line with the previous year.

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Overseas business segment for the financial years ended on 31 December 2018 and 31 December 2017.

Overseas	**Year ended 31 December**	
	2018	**2017**
	millions of euro	
Revenues	37.5	35.1
Costs	23.8	21.7
Income from equity investments	1.1	1.0
Gross Operating Profit (EBITDA)	14.8	**14.4**

The Group operates in the Overseas business segment mainly through the following companies:

- Acea International S.A. an holding company substantially wholly-owned by the Issuer to which in April 2017 the Issuer transferred the shares of the following companies:
    - Aguas de San Pedro S.A. (Honduras) ("**Aguas de San Pedro**"), which carries out its activity with respect to customers of San Pedro Sula. The Group holds 60.65% of the share capital of Agua San Pedro, which is fully consolidated.
    - Acea Dominicana S.A. (Dominican Republic) ("**Acea Dominicana**"), which provides the service to the local municipality known as CAASD (*Corporation Aqueducto Alcantariado Santo Domingo*). Acea Dominicana is wholly owned by Acea.
- AguaAzul Bogotà S.A. (Colombia), of which the Group holds 51% of the share capital and is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors.
- Consorcio Agua Azul S.A. (Peru) ("**Consorcio Agua Azul**"), which provides water and sewerage services in the city of Lima. The Group holds 25.5% of the share capital of Consorcio Agua Azul.

During 2018, Acea Peru S.A.C. was constituted, for the development of initiatives in Perù and Consorcio Servicio Sur was constituted for operational activities in the relevant territory.

STRATEGY

On 2 April 2019, the Board of Directors of Acea approved the 2019-2022 Business Plan which was published on its website along with a press release summarising the main elements of such Plan.

The 2019-2022 Business Plan maintains the four key pillars that the Board of Directors of Acea identified in the previous business plan (*i.e.* (i) industrial growth, (ii) local focus & sustainability, (iii) technology innovation and quality, and (iv) operational efficiency) but now focuses on five specific actions:

- accelerating the Group's growth;

- developing and diversifying the business portfolio;
- concentrating on the innovation of the industrial processes;
- reaching the targeted results; and
- applying a dynamic and sustainable approach.

In particular, the 2019-2022 Business Plan provides the following actions for each business area.

Water

Acea intends to continue safeguarding water resources by enhancing the quality and efficiency of the service offered in the areas where it operates through major interventions such as: the installation of smart water meters, the reduction of grid leaks, the rationalisation of purification plants and their automation, the division of the grid into districts, the improvement of technical quality indicators and the safety enhancement of the water supply.

Energy Infrastructures

Acea intends to develop projects enabling system decarbonisation, such as the technological evolution of the grid with the installation of second-generation smart meters, increased investments to enhance grid resilience, the laying of fibre optics for its infrastructure and the advanced automation of the grid. Moreover, insofar as concerns green energy generation, Acea plans to consolidate its position by developing a portfolio of at least 150 MW of photovoltaic energy via the construction of new facilities and purchases from the secondary market.

Commercial and Trading

The actions envisaged in the 2019-2022 Business Plan will be focused mainly on marketing by using, *inter alia*, digital channels and the optimisation of operating processes, with consequent reduction in the "Cost To Serve" and "Cost To Credit" as compared to the current situation. Moreover, additional value will be generated by the development of smart services (e.g. smart meters, insurance, domestic thermal systems). This growth will take place within a commercial scenario made more competitive and challenging by the full liberalisation of the electricity market starting from 2020, which will provide an opportunity for Acea to enhance and consolidate its position in the sector.

Environment

Acea's development will focus on strengthening the waste treatment cycle with the aim to become a major operator in the treatment and recycling of paper and plastic.

Additional Strategic Opportunities

Acea intendeds to take advantage of certain strategic initiatives that can further strengthen the Group's position. The strategic initiatives identified, achievable by 2022, are consistent with the Group's business areas and with the main trends in the applicable market:

- growth in the natural gas distribution market via the evaluation of potential operator acquisition transactions and participation in future Ambito calls for tenders;

- development of projects in connection with "smart energy efficiency" through the acquisition of ESCO and the launch of pilot projects in the areas of cogeneration/trigeneration and thermal insulation;
- acceleration of the expansion of facilities, in the environment sector, also via possible strategic partnerships within the scope of sector consolidation;
- acquisition of new customers by evaluating opportunities associated with market consolidation;
- acceleration of the growth in renewables, with particular attention to the photovoltaic sector; and

potential opportunities concerning the consolidation of water service operators within the applicable territories (for example, Tuscany and Umbria).

CORPORATE GOVERNANCE OF THE ISSUER

The corporate governance rules for Italian companies whose shares are listed on the Italian Stock Exchange are set forth in the Italian Civil Code, in Legislative Decree No. 58 of 24 February 1998, as subsequently amended (*Testo Unico della Finanza*) (the "**Consolidated Financial Act**") and in the relevant CONSOB implementing regulations.

ACEA's corporate governance is implemented in accordance with Italian legal requirements and best practice, and is compliant with the model recommended by the Corporate Governance Code (*Codice di Autodisciplina*) originally approved in March 2006 by the Corporate Governance Committee of the Italian Stock Exchange and subsequently amended in July 2014.

ACEA has adopted a "traditional" corporate governance system consisting of the shareholders' meeting, the board of directors and the board of statutory auditors.

The auditing of ACEA's financial statements is undertaken by an independent auditing firm enrolled with the specific register provided by the law (for further details, please see "*General Information – Auditors*" below).

Board of Directors

Pursuant to Article 15 of the Issuer's by-laws, ACEA's board of directors (the "**Board of Directors**") shall consist of a minimum of five and a maximum of nine members, who shall remain in office for a period of no longer than three years, after which they may be re-elected.

ACEA's by-laws provide for a voting list system for the appointment of all members of the Board of Directors[12].

The current members of the Board of Directors were appointed at the ordinary shareholders' meeting held on 27 April 2017 and will remain in office until the ordinary shareholders'

[12] The voting lists shall be submitted at least twenty or fifteen days, respectively, before the date set for the first annual meeting of the Board of Directors by the exiting directors or by the shareholders who alone or together with other shareholders, represent at least one per cent of the shares entitled to vote at the ordinary general meeting. No person can be a candidate in more than one list and each shareholder has the right to vote for only one list. The appointment shall proceed as follows: (i) half plus one of the directors shall be elected from the list that obtains the majority of votes; and (ii) the remaining directors shall be elected from the other lists.

meeting to be called to approve the financial statements of ACEA as of and for the year ending 31 December 2019.

The Board of Directors is currently composed of nine members, five of whom are independent in accordance with applicable law, ACEA's by-laws and the Corporate Governance Code.

The Board of Directors has a key role in the organisational structure of ACEA and the Group as it is the body which defines the strategic objectives of the Group and monitors their implementation and progress. It is vested with all the powers provided by law and the Issuer's by-laws, including powers of ordinary and extraordinary administration.

Name	Position	Date elected
Michaela Castelli	Chairman since 21 June 2018	27 April 2017
Stefano Antonio Donnarumma	Chief Executive Officer	3 May 2017
Giovanni Giani	Director	27 April 2017
Fabrice Rossignol	Director	27 April 2017
Maria Verbena Sterpetti	Director	17 April 2019
Gabriella Chiellino	Director	27 April 2017
Liliana Godino	Director	27 April 2017
Alessandro Caltagirone	Director	27 April 2017
Massimiliano Capece Minutolo	Director	27 April 2017

The business address of each of the members of the Board of Directors is the registered office of ACEA at Piazzale Ostiense, 2, 00154 Rome, Italy.

Other offices held by members of the Board of Directors

The principal business activities and other directorships, if any, of each of the members of the Board of Directors outside the Group are summarised below.

Name	Position	Company/organization
Michaela Castelli	Board Member	Nexi S.p.A.
	Board Member	Recordati S.p.A.
	Board Member	La Doria S.p.A.
	Board Member	SEA Aeroporti Milano S.p.A.
	Board Member	Stefanel S.p.A.
	Statutory Auditor	Nuova Sidap S.r.l. (Gruppo Autogrill
	Statutory Auditor	S.p.A.)
	Statutory Auditor	Eurtel S.r.l. (Gruppo Eur S.p.A.)
	Statutory Auditor	Autogrill Italia S.p.A.
		Autogrill Europe S.p.A.
Maria Verbena Sterpetti	None	None
Gabriella Chiellino	Chairman	eAmbiente,
	Chairman	eEnergia
	Chairman	e3city
Liliana Godino	None	None
Giovanni Giani	None	None
Fabrice Rossignol	Chief Executive Officer	Suez Italy, Central and Eastern Europe and CIS

Name	Position	Company/organization
	Chairman	Suez Italia S.p.A.
Massimiliano Capece Minutolo	Chairman	ICAL 2 S.p.A.
	Board member	Immobiliare Caltagirone S.p.A.
	Board member	Vianini S.p.A.
	Board member	GS Immobiliare S.p.A.
	Board member	Fincal S.p.A.
	Board member	Ical 3 S.r.l.
	Sole Director	Porto Torre S.p.A.
	Sole Director	Energia S.p.A.
	Sole Director	Seneca Fabbricati S.r.l. a socio unico
Alessandro Caltagirone	Deputy Chairman	Aalborg Portland Holding A/S Ical S.p.A.
	Chairman	Caltagirone Editore S.p.A
	Board Member	Caltagirone S.p.A.
	Board Member	Cementir Holding S.p.A
	Board Member	Il Messaggero S.p.A.
	Board Member	Il Gazzettino S.p.A.
	Board Member	Vianini Lavori S.p.A.
	Board Member	Piemme S.p.A.
	Board Member	Finanziaria Italia 2005 S.p.A.
	Sole Director	

Internal committees of the Board of Directors

In accordance with the Corporate Governance Code, the Board of Directors has established the following internal committees:

(i) the Appointments and Compensation Committee (composed of Liliana Godino, Gabriella Chiellino, Giovanni Giani, Massimiliano Capece Minutolo);

(ii) the Risks and Control Committee (composed of Liliana Godino, Giovanni Giani, Massimiliano Capece Minutolo, Michaela Castelli);

(iii) the Ethics and Sustainability Committee (composed of Gabriella Chiellino, Giovanni Giani, Michaela Castelli); and

(i) the Related Party Committee (composed of Fabrice Rossignol, Gabriella Chiellino, Massimiliano Capece Minutolo).

In addition, on 21 June 2018, the Board of Directors established an Executive Committee pursuant to article 2381 of the Italian Civil Code and article 20, paragraph 1, of the Company's by-laws, composed of Giovanni Giani (Chairman), Michaela Castelli, Stefano Antonio Donnarumma and Massimiliano Capece Minutolo del Sasso. The Executive Committee will deal with matters pertaining to sponsorships and institutional relations.

Officers

The table below sets forth ACEA's current executive officers who, except for Stefano Antonio Donnarumma, are not members of the Board of Directors (together with their role and their respective departments) at the date of this Base Prospectus.

Name	Position	Area
Giuseppe Gola	Chief Financial Officer	Finance, business development, administration and control
Giovanni Papaleo	Executive	Water
Stefano Antonio Donnarumma	Director	Overseas and business strategies development
Francesco Del Pizzo	Executive	Energy Infrastructures
Giovanni Vivarelli	Executive	Environment
Valerio Marra	Executive	Sales and Trading
Alessandro Filippi	Executive	Engineering and Services

Board of Statutory Auditors

Pursuant to Article 22 of Acea's by-laws, Acea's board of statutory auditors (the "**Board of Statutory Auditors**") is composed of three statutory auditors and two alternate auditors.

Acea's by-laws provide for a voting list system for the appointment of all members of the Board of Statutory Auditors. The members of the Board of Statutory Auditors shall be appointed according to provisions of Article 15 of Acea's By-laws concerning the appointment of the Board of Directors. The appointment procedure is as follows: (i) half plus one of the Statutory Auditors and one Alternate Statutory Auditor shall be elected from the list that obtains the majority of votes; and (ii) the remaining members shall be elected from the minority lists. The Shareholders' Meeting shall appoint the Chairman.

The Board of Statutory Auditors is vested with the supervision and control powers provided by applicable law, by the Issuer's by-laws and by the Corporate Governance Code.

The current members of the Board of Statutory Auditors were appointed by the ordinary shareholders' meeting held on 17 April 2019 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of the Issuer as of and for the year ending 31 December 2021.

The Board of Statutory Auditors of Acea is currently composed of the following members:

Name	Position
Maurizio Lauri	Chairman
Pina Murè	Statutory Auditor
Maria Francesca Talamonti	Statutory Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

The business address of each of the members of the Board of Statutory Auditors is Piazzale Ostiense, 2, 00154 Rome, Italy.

Other offices held by members of the Board Statutory Auditors

The principal business activities and other directorships, if any, of each of the members of the Board of Statutory Auditors outside the Group are summarised below.

Name	Position/office	Company / organization
Maurizio Lauri	Statutory Auditor	Tirreno Power S.p.A.
	Sole Auditor	RSM Italy Accounting Roma S.r.l.

Name	Position/office	Company / organization
	Statutory Auditor	GEDI Gruppo Editoriale S.p.A.
	Director	RSM Italy Scarl
	Vice Chairman of the Board of Directors	IMEVA S.p.A.
	Director	RSM Studio Palea Lauri Gerla Holding S.r.l.
	Chairman of the Board of Statutory Auditors	Officine CST S.p.A.
	Chairman of the Board of Directors	Banca Immobiliare (BIM) S.p.A.
Pina Murè	Directors	Istituto di Cultura Bancaria
Maria Francesca Talamonti	Chairman of the Board of Statutory Auditors	BasicNet S.p.A. (BasicNet Group)
	Chairman of the Board of Statutory Auditors	Servizi Aerei S.p.A. (ENI Group)
	Statutory Auditor	Costiero Gas Livorno S.p.A. (ENI Group)
	Statutory Auditor	DigiTouch S.p.A.
	Member of the Board of Statutory Auditor	FIN-Federazione Italiana Nuoto
	Statutory Auditor	Musinet Engineering S.p.A.
	Statutory Auditor	PLC S.p.A.
	Statutory Auditor	PS Parchi S.p.A.
	Statutory Auditor	Raffineria di Milazzo S.c.p.A. (Gruppo ENI/Q8)
	Statutory Auditor	Rainbow Magicland S.p.A.
	Independent Director	Elettra Investimenti S.p.A.
	Sole Director	Bramito SPV S.r.l.
	Sole Director	Convento SPV S.r.l.
	Sole Director	New Levante SPV S.r.l.
	Sole Director	Ponente SPV S.r.l.
	Sole Director	Vette SPV S.r.l.
Maria Federica Izzo	Chairman of the Board of Statutory Auditors	ASD LUISS Associazione Sportiva Luiss – Società sportive dilettantistica
	Statutory Auditor	SIA BLU S.p.A.
	Alternate Auditor	Gamenet Group S.p.A.
	Alternate Auditor	Gamenet Entertainment S.r.l.
	Alternate Auditor	Billions Italia S.r.l.
	Alternate Auditor	Gnetwork S.r.l.
	Alternate Auditor	Intralot Holding & Services S.p.A.
	Alternate Auditor	Intralot Gaming Machines S.p.A.
	Alternate Auditor	Intralot Italia S.p.a.
Mario Venezia	Statutory Auditor	YAMA S.p.A.
	Statutory Auditor	Imperia & Monferrina S.p.A.
	Statutory Auditor	Daikin Applied Europe S.p.A.
	Sole Auditor	Aut. Portugal
	Statutory Auditor	Aut. Dell'Atlantico S.p.A.
	Statutory Auditor	Aut. Tangenziale Napoli
	Statutory Auditor	Eurallumina S.p.A.
	Statutory Auditor	Eurallenergy S.p.A.

Potential conflicts of interest

As at the date of this Base Prospectus, no member of the Board of Directors or the Board of Statutory Auditors has declared a private interest or has any other duties which constitute an actual or a potential conflict of interest of such member with respect to his duties to the Issuer or which could be material in the context of the issue of the Notes.

SHARE CAPITAL

As at 30 June 2019, Acea has an authorised, issued and fully paid-up share capital of Euro 1,098,898,884, consisting of 212,964,900 ordinary shares with a par value of Euro 5.16 each. Each ordinary share carries one voting right at the shareholders' meeting, save for 416,993 treasury shares, representing 0.2 per cent. of Acea's share capital, in respect of which the relevant voting rights have been suspended.

Pursuant to Article 6, paragraph 1 of the Issuer's by-laws, shareholders other than the Municipality of Rome, or its subsidiaries, which hold equity investments in excess of 8 per cent. of the share capital, may not exercise their voting rights in respect of any shares exceeding such threshold.

ACEA has not issued any other categories of shares or any financial instruments convertible into or exchangeable into ordinary shares.

There are no outstanding stock option or stock grant plans which require share capital increases.

MATERIAL SHAREHOLDERS

As at 2 July 2019, the shareholders which owned, directly or indirectly, a shareholding exceeding 3 per cent. of ACEA's voting capital were the following:

Declarant or party at the top of the investment chain	**Party directly holding the major shareholding**		**Percentage of the voting share capital**	**Percentage of the ordinary share capital**
	Name	**Type of Possession**	**%**	**%**
SUEZ SA	SUEZ ITALIA SPA	Beneficial ownership	12.483	12.483
		Total	12.483	12.483
	SUEZ SA	Beneficial ownership	10.850	10.850
		Total	10.850	10.850
	Total		**23.333**	**23.333**
ROMA CAPITALE	ROMA CAPITALE	Beneficial ownership	51.000	51.000
		Total	51.000	51.000
	Total		**51.000**	**51.000**
CALTAGIRONE FRANCESCO GAETANO	FINCAL SPA	Beneficial ownership	2.677	2.677
		Total	2.677	2.677
	VIAPAR SRL	Beneficial ownership	0.939	0.939
		Total	0.939	0.939
	VIAFIN SRL	Beneficial ownership	0.610	0.610
		Total	0.610	0.610
	SO.FI.COS SRL	Beneficial ownership	0.780	0.780
		Total	0.780	0.780
	Total		**5.006**	**5.006**

Source: Consob

The Issuer's controlling shareholder is Roma Capitale (the Municipality of Rome).

As at the date of this Base Prospectus, to the knowledge of the Issuer there is no shareholders' agreement among the Issuer's shareholders.

LITIGATION

The aggregate volume of pending litigation in which one or more companies of the Group are involved is relatively small, both in terms of number of cases (less than one thousand) and of economic risk associated therewith. In order to address the financial impact of such litigation, ACEA appropriate provisioning in its financial statements. See also "*Risk Factors – Risks related to Legal Proceedings*".

Below is a summary of the main legal proceedings in which the Group is currently involved.

ACEA ATO 2 – Seizure of waste treatment plants

A notification of conclusion of the preliminary investigations was filed on 22 April 2016 in respect of the pending procedure concerning the seizure of the Roma Est waste treatment plant, with some managers and directors of the Issuer and the Issuer itself being placed under investigation under Legislative Decree 231/2001. The waste treatment plants of Roma Nord and Colubro are still under seizure, whereas the Palestrina Carchitti plant was temporarily released in order to restart the operations and assess the functioning of the sewage process.

In addition, at the beginning of 2017 the "Botticelli" waste treatment plant was placed under seizure as a result of the revocation of the relevant discharge authorization by the municipality of Rome, although ACEA ATO 2 retains the right to use the plant, subject to the execution of certain activities. ACEA ATO 2 duly performed the activities requested by the municipality of Rome; however, it decided to challenge the revocation of the discharge authorization. As of the date of this Base Prospectus, the first hearing is still to be scheduled. The Botticelli treatment plant was subject to disruption following the commissioning of the new plant called Botticelli 2 and a request for revocation of the seizure was subsequently filed.

ACEA ATO 2 - Regulation of the hydrometric level of the Lake of Bracciano

The Orders issued by the Director of the Regional Directorate of Water Resources and Protection of the Soil No. 0375916 of 20 July 2017 and No. 0392583 of 28 July 2017, concerning the Regulation of the hydrometric level of the Lake of Bracciano, were both challenged by ACEA ATO 2 before the Superior Court of Public Waters (*Tribunale Superiore Acque Pubbliche* – "**TSAP**") with separate petitions, then united by ruling No. 44/2017.

On 24 January 2018, at the hearing held before the Investigating Judge, ACEA ATO 2 requested the discontinuance of the matter at issue, in consideration of the subsequent regional measures adopted by Resolution of the Regional Director of Water Resources and Protection of the Soil No. G18901 of 29 December 2017 concerning the use of the basin of Lake of Bracciano as strategic drinking water reserve. An appeal has been filed against Resolution No. G18901 before the TSAP. Regarding the first two Orders, the TSAP finally declared the impossibility to proceed with the appeal due to supervening lack of interest. Regarding the last Resolution No. G18901, the next panel hearing has been set as of 3 July 2019.

ACEA ATO 5 – Termination of the concession agreement

With appeal No. 316/2016 ACEA ATO 5 challenged Resolution No. 2 of the Conference of Mayors of 18 February 2016, which gave effect to the procedure for the contractual termination of the concession agreement with a notice being submitted to the company in March 2016. It also challenged Resolution No. 7 of 13 December 2016, which also resolved upon the contractual termination of the concession agreement, and submitted additional reasons for appeal No. 316 and at the same time requested compensation for damage.

On 27 December 2017, the regional administrative court of Latina upheld the petition brought by the ACEA ATO 5 and cancelled the challenged resolution. Terms for appeal to the Council of State are currently pending.

On 26-27 June 2018 the AATO5, the Municipality of Ceccano and other Municipalities of ATO 5 served the appeals, challenging the aforementioned ruling no. 638/2017 of the Lazio Regional Administrative Court - Latina section. ACEA ATO 5 filed the formal documents for both disputes, for which as of today there is no information regarding the scheduling of the hearing.

ACEA ATO 5 – Consorzio ASI

The injunction order undertaken by Consorzio ASI for the repayment of the portion of the treatment service carried out on behalf of ACEA ATO 5 (amounting to Euro 6,470.824.39) has been challenged by ACEA ATO 5. The next hearing for discussion has been scheduled for 25 June 2019 whilst the parties are currently negotiating the terms of an agreement to settle the dispute.

Acea RSE tax inspection and fiscal disputes

On 14 June 2012, Acea RSE was delivered a Report on Findings from the Italian Financial Police – Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-*bis* of Law Decree no. 331 of 30 August 1993 ("**VAT Warehouses**"), relating to certain assets imported by the company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports – for 2009, 2010 and 2011 – amounting to Euro 16,198,714.87.

On 6 August 2012, Acea RSE submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Italian Customs Authority and several cases of legal intervention.

ACEA considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Warehouses, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds, also taking into account the following: as concerns the particular case of the provision of services for the assets held at the VAT Warehouses (case set forth in letter h) of art. 50-*bis* of Law Decree no. 331/1993), art. 34, paragraph 44 of Law Decree no. 179 of 18 October 2012, recently amended

art. 16, paragraph 5-*bis* of Law Decree no. 185 of 29 November 2008 (on the authoritative interpretation of letter h) of art. 50-*bis* noted above) establishing, for that case, that VAT must be deemed definitively paid if, when the merchandise is taken from the VAT Warehouse for marketing within the country, the regulations set forth in paragraph 6 of art. 50-*bis* of Law Decree 331/93 are correctly implemented, or the reverse charge procedures pursuant to art. 17, paragraph 2, of Presidential Decree no. 633 of 26 October 1972 are correctly applied. Management believes that ACEA's approach appears to be supported by Circular n. 16/D of 20 October 2014 issued by the Customs Agency following the decision of the Court of Justice of 17 July 2014 no. C-272/13.

Gori – Dispute over water supplies

Disputes with ABC Napoli Azienda Speciale

Gori was involved in several disputes with ABC Napoli Azienda Speciale ("**ABC**"), formerly A.R.I.N. S.p.A., in relation to the cost of water supplies provided to ATO 3. ABC is a 100 per cent. subsidiary of the Municipality of Naples, in whose area it operates the water service. On 21 December 2018, Gori and ABC executed a settlement agreement defining and regulating the disputes described herein. The sums to be paid to ABC were therefore settled with a lump sum amounting to € 8,270,736.93 for the fees invoiced through 31 December 2015 and an amount of € 1,262,138.79 for the period from 1 January 2016 to the end of the third quarter 2018 on the basis of the tariff set out in ATO2 Commissioner Resolutions no. 27 of 17 October 2017 and no. 28 of 24 October 2017.

Disputes with Acqua Campania S.p.A.

The disputes between the Campania Regional Government and its operator Acqua Campania S.p.A. ("**Acqua Campania**"), as one party, and the Water District Authority and Gori, as the other party, concerned the exact calculation of the price of water and, in more general terms, the services provided (fresh water supply and treatment plant management) by the Campania Regional Government and/or Acqua Campania to ATO 3 and to the transfer of works/infrastructures currently managed by the Regional Government, and the responsibility of the integrated water service of ATO 3. There have been several proceedings pending between the parties during the last few years, and such proceedings have been finally settled pursuant to an overall agreement between the Campania region, the Water District Authority and Gori. By virtue of such agreement, *inter alia*, the legal dispute before the Civil Court of Naples between the concessionaire for regional collections Acqua Campania and Gori (RG No. 33575/2016) relating to regional supplies of "wholesale water", on the one hand and between the region and Gori (RG no. 3878/2017) regarding the regional services of "collections and treatment of waste water", on the other hand (please see also section "Service Concession Arrangements" of the consolidated account) has been settled.

E.On. Produzione S.p.A. – Dispute over indemnities for use of water

In March 2009, E.On. Produzione, a company operating a hydroelectric plant fuelled by the Peschiera river in the Lazio region brought a claim against ACEA requesting approximately Euro 80 million in damages for the alleged inadequacy of an indemnity paid by ACEA to them, pursuant to a concession contract granted to ACEA by the Lazio region.

The concession contract allows ACEA to use the water of the Peschiera river in order to feed the fresh water distribution network in Rome.

E.On.'s claim was rejected, first, by the Lazio Regional Water Court (*Tribunale Regionale delle Acque*) in May 2014, then by the Administrative Appeal Court of Public Waters (*Tribunale Superiore Acque Pubbliche* - TSAP) on 2016 and ordering E.On. Produzione (which had, in the meantime, transferred, through a partial spin-off, the business unit engaged in the production of energy from hydroelectric sources to ERG Hydro s.r.l.) to pay the legal costs and, finally, by the United Sections of the Court of Cassation with a sentence published on 10 January 2019, further ordering ERG to pay the legal costs.

Acea Servizi Acqua – Dispute over shareholders' agreement

In Autumn 2011, the minority quotaholders of Acea Servizi Acqua S.r.l. (a joint venture in which ACEA owned an interest of 70 per cent., now the company has been liquidated and cancelled from the Companies' Register) together with their respective shareholders, commenced proceedings for an amount of over Euro 10 million against ACEA, for alleged damages caused by ACEA's failure to meet its obligations under the relevant shareholders' agreement.

By judgment no. 17154/15 of 17 August 2015, the Court entirely dismissed the application and ordered the parties to jointly reimburse the costs (amounting to Euro 50,000), in addition to incidental expenses, to ACEA. On 1 October 2015 SMECO filed an appeal against such decision. The next hearing is scheduled for 29 January 2020.

Enel Green Power

On 4 September 2014 Enel Green Power (EGP) issued proceedings against ACEA ATO 2 for the payment of the amounts due for the adjustment of the "subtention price" for the branching off, for hydroelectric and drinking purposes, of the "Le Capore" springs, quantified for the period 2009 - 2013 at approximately Euro 17 million (excluding VAT).

Such request was immediately rejected by the Issuer on the basis of the case law represented by the first instance decision of the Lazio regional water court (*Tribunale Regionale delle Acque*) taken on 3 May 2014 in respect of E.On.'s proceedings (please see subparagraph "*E.On. Produzione S.p.A. – Dispute over indemnities for use of water*" above) which raises similar issues.

As at the Date of this Base Prospectus, EGP has not served further proceedings against ACEA ATO 2, possibly because of the decision taken by the TSAP in the context of the E.ON Produzione/ERG Hydro proceedings.

Acea S.p.A. and Acea Ato 2 S.p.A. - CO.LA.RI.

On 23 June 2017, Consorzio Co.La.Ri. and E. Giovi S.r.l. – respectively the manager of the Malagrotta (RM) landfill and executive consortium member – filed a claim against the Issuer and ACEA ATO 2, requesting approximately €36 million as payment of the portion of landfill access tariffs, as established by Legislative Decree No. 36/2003, for the entire term of the agreement for the use of the landfill (*i.e.*, 1985 – 2009). Alternatively, should the rules of Legislative Decree No. 36/2003 be deemed non-retroactive, the plaintiffs requested the payment of approximately €8 million as consideration for the period 2003 – 2009, as well as the payment of the amounts due for the period 1985 – 2003 as determined by experts appointed by court. The first hearing was scheduled for 8 October 2018 and then rescheduled for 28 March 2019.

ARETI – Dispute GALA S.p.A

In November 2015, ARETI, as electricity distribution grid manager, stipulated a transmission contract with the company GALA S.p.A., which operates on the market of electricity sales to end customers.

Starting from March 2017 GALA S.p.A. has suspended all payment of prices billed and due to ARETI and, on 3 April, submitted a request for agreements with creditors (*concordato preventivo*) pursuant to article 161, paragraph 6, of Italian Bankruptcy Law. On 7 April 2017 ARETI commenced the enforcement of part of the guarantees given by GALA S.p.A. On 1 June 2017, given the continuing serious breach of contract, ARETI notified the termination of the transmission agreement and the enforcement of the additional contractual guarantees.

On 3 May 2018 GALA S.p.A.'s shareholders' meeting resolved upon the liquidation of the company, revoking the previous request for *concordato preventivo*.

The pending disputes generated by the complex matter are summarised below.

Precautionary measures

In response to the enforcement of the guarantees described above, on 12 April 2017 GALA S.p.A. filed a cautionary appeal as per Article 700 of the Italian Code of Civil Procedure against the collection on 12 April, obtaining a decree *inaudita altera parte,* which initially prevented ARETI from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of ARETI.

On 1 June 2017, given the continuation of the serious breach of contract, ARETI notified the termination of the transport contract and also the collection of the additional contractual guarantees.

On 6 June, GALA S.p.A. appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree *inaudita altera parte* in its favour.

On completion of both legal proceedings, the reasoning of ARETI was again completely recognised, with the issuing on 12 July 2017 of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per Article 700 of the Italian Code of Civil Procedure, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance plc and the injunction issued in favour of GSE S.p.A.

In July 2017, Euroins Insurance plc, guarantor of GALA S.p.A., independently introduced assessment proceedings requesting a declaration that its guarantee obligation was invalid; ARETI requested right from the first hearing of appearance of 28 December 2017 to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE S.p.A.(see below), but this request has not yet been ordered by the judge. The next hearing set for October 2019.

GSE S.p.A., after notifying ARETI to pay the general system charges due by GALA S.p.A., even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against ARETI for payment of part of these charges. The injunction was promptly opposed by ARETI with a writ of summons served to GSE S.p.A. and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of GALA S.p.A. and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), with the next hearing set for October 2019, within the judgement Areti paid the sums due to GSE S.p.A. in July 2018.

Both judgements are pending before Section XVII of the Court of Rome, the same designated judge, who set the hearing for the decision concerning the request for consolidation to be held on 5 July 2018. Relating this request the judge has not yet disposed.

GALA S.p.A.'s citation to ARETI, AE and ACEA

By means of a summons served in March 2018, GALA S.p.A. requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with ARETI in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by ARETI, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA S.p.A. also requested that the behaviour of ARETI and other defendant companies - ACEA and AE - be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the ACEA Group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, ARETI has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA S.p.A. of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The judgement is currently pending before the 17th civil section of the Court of Rome and on 5 November 2018 the designated judge assigned to the parties the terms for the presentation of their briefs pursuant to Article 183, paragraph 6 of the Italian Code of Civil Procedure starting from 9 December 2018 and set the hearing for 12 May 2021 for the clarification of the conclusions, without prejudice to any preliminary investigation to be carried out.

Appeal for Cassation against sentence no. 5619/2017 of the Council of State on System Charges.

It should also be noted that with sentence no. 5619/2017, the Council of State pronounced itself on general system charges, general ARERA regulation and traders' obligations; this sentence was challenged by ARETI with recourse to the United Sections of the Supreme Court of Cassation in January 2018, pursuant to Articles 111, paragraph 8 of the Italian Constitution, 362 and 382 of the Italian Code of Civil Procedure and 110 of the Italian Code of Administrative Procedure, for overriding the jurisdictional function. A hearing date has yet to be set.

With respect to the receivable against GALA S.p.A., the Issuer made a provision on its balance sheet equal to a depreciation of Euro 15.7 million, which reflect the best estimate possible on the basis of the information available.

EMPLOYEES

As at 31 December 2018, the Group had 6,534 employees, an increase of 18.4 per cent. compared with the previous year as at 31 December 2017 (1,015 employees).

MATERIAL CONTRACTS

Debt issuances

On 3 March 2010, ACEA issued the JPY 20,000,000,000 2.5 per cent. Notes due 2025 (ISIN Code XS0490440384).

On 16 March 2010, ACEA issued the Euro 500,000,000 4.500 per cent. Notes due 2020 (ISIN Code XS0495012428) (the "**2020 Notes**"). The 2020 Notes were subject to a tender offer in the context of a liability management transaction in October 2016, as described below.

On 12 September 2013, ACEA issued Euro 600,000,000 3.750 per cent. Notes due 2018 (ISIN Code XS0970840095) (the "**2018 Notes**"). The 2018 Notes were also subject to a tender offer in the context of a liability management transaction in October 2016, as described below.

On 15 May 2014, ACEA established the Euro 1,500,000,000 Euro Medium Term Notes Programme to which this Base Prospectus relates.

On 15 July 2014, ACEA issued Euro 600,000,000 2.625 per cent. Notes due 2024 (ISIN Code XS1087831688) under the Programme.

On 24 October 2016, ACEA completed a liability management transaction (involving a tender offer of existing notes and a new issue of notes), with the following final results:

- purchase of Euro 261,611,000 in aggregate nominal amount of the 2018 Notes;
- purchase of Euro 77,225,000 in aggregate nominal amount of the 2020 Notes;
- new issue of Euro 500,000,000 1.000 per cent. Notes due 2026 (ISIN Code XS1508912646) under the Programme;

On 19 January 2018, ACEA increased the maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme from Euro 1,500,000,000 to Euro 3,000,000,000.

On 1 February 2018, ACEA issued Euro 300,000,000 three-month EURIBOR plus 0.37 per cent. Floating Rate Notes due 2023 (ISIN Code XS1767087940) and Euro 700,000,000 1.500 per cent. Notes due 2027 (ISIN Code XS1767087866) under the Programme.

On 23 May 2019, ACEA issued Euro 500,000,000 1.750 per cent. fixed rate notes due 2028 (ISIN Code XS2001278899) under the Programme.

Main Long Term Financing Agreements and back-up facilities

On 11 November 2005, *Cassa Depositi e Prestiti* granted to ARETI a Euro 439,333,798.96 amortising loan guaranteed by ACEA maturing on 31 December 2027.

On 31 March 2008, *Cassa Depositi e Prestiti* granted an unsecured Euro 100,000,000 amortizing loan maturing on 21 December 2021 to ACEA.

On 25 August 2008, the European Investment Bank granted to the Issuer a Euro 200,000,000 unsecured loan comprising two tranches: a Euro 150,000,000 amortising loan maturing on 15 June 2023 and Euro a 50,000,000 bullet repayment loan maturing on 15 June 2019.

On 23 December 2014, the European Investment Bank granted to the Issuer a Euro 200,000,000 amortising unsecured loan maturing on 17 June 2030.

On 4 August 2015, the European Investment Bank granted to the Issuer a Euro 200,000,000 unsecured loan with a three-year availability period. On 2 May 2017 the Issuer requested the total disbursement of the loan with an amortizing repayment maturing on 15 December 2030.

On 22 December 2017, Intesa Sanpaolo S.p.A. granted to the Issuer a Euro 150,000,000 unsecured bullet loan maturing on 21 June 2019.

On 15 March 2018, the Issuer prepaid a Euro 100,000,000 European Investment Bank bullet loan maturing on June 2018 and a Euro 50,000,000 European Investment Bank bullet loan maturing on June 2019.

ACEA's loans and ACEA's subsidiaries' principal medium/long–term borrowings, including the above-mentioned loan to ARETI, may be subject to covenants to be complied with by the borrower in accordance with international market practices and/or European Investment Bank standards.

The loan agreements entered into by ACEA contain broadly market standard (LMA and/or EIB) provisions.

RECENT DEVELOPMENTS

AGCM (Antitrust Authority) Measure – Proceeding No. A 513

On 8 January 2019 Acea was notified by the Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) of a measure containing a joint pecuniary administrative sanction equal to Euro 16,199,879.09 against Acea S.p.A., Acea Energia S.p.A. and Areti S.p.A in relation to the proceeding No. A 513, regarding an abuse of dominant position in the market of the sale of electricity. The Group reserved the right to take all necessary steps to safeguard its position.

Resignation of Board Member Luca Alfredo Lanzalone

On 15 March 2019, Mr. Luca Alfredo Lanzalone resigned from the office of Director with immediate effect.

Acquisition of a majority equity holding in Pescara Distribuzione Gas S.r.l.

Following the approval from the Municipality of Pescara, on 18 March 2019, Acea purchased from Alma C.I.S. S.r.l. and Mediterranea Energia Soc. Cons.a.r.l. an equity holding of 51% of

the share capital of Pescara Distribuzione Gas S.r.l. ("**Pescara Distribuzione Gas**"), a company managing the entire distribution network of methane gas within the Municipality of Pescara and owning approximately 325 km of such network and approximately 62,000 redelivery points.

The two sellers maintain the residual 49% of Pescara Distribuzione Gas share capital and, in synergy with Acea, agreed to participate in the industrial management of the infrastructure of Pescara Distribuzione Gas.

Based on the enterprise value of Pescara Distribuzione Gas, the transaction had an economic value of Euro 17 million.

Appointment of Board Member Maria Verbena Sterpetti

On 17 April 2019, the ordinary shareholders' meeting of Acea appointed Maria Verbena Sterpetti as a new director in substitution of Mr. Luca Alfredo Lanzalone who resigned on 15 March 2019. Maria Verbena Sterpetti will remain in office until the expiry of the mandate of the current Board of Directors (i.e. the approval date of the financial statements as at and for the year ending 31 December 2019).

Verification of independence requirements authorisation for Bond Issue

On 6 May 2019, Acea published on its website a press release announcing that its Board of Directors verified the independence requirements set forth by law and by the Corporate Governance Code for Listed Companies with regard to newly appointed member of the Board of Statutory Auditors, Ms. Maria Verbena Sterpetti.

On the same date, the Board of Directors of Acea also authorised the potential issue, subject to market conditions, of one or more series of unsubordinated senior notes under its Euro Medium Term Note (EMTN) Programme, for a maximum aggregate principal amount of Euro 500 million. The notes will be offered to non-U.S. persons outside the United States in offshore transaction, in reliance on Regulation S under the U.S. Securities Act of 1933, and listed on the Luxembourg Stock Exchange. The authorisation for the issue of the notes is granted until 31 December 2019.

Acquisition of 100% participation interest in KT4 S.r.l.

On June 27th 2019, Acea purchased from Joint Business Srl the whole share capital of KT4 Srl owner of 1MW PV plant based in Novoli (LE). The plant produces 1.503 MWh per year. Based on the enterprise value of KT4 Srl, the transaction had an economic value of Euro 3 million.

Acquisition of 90% equity interest in Demap S.r.l.

On July 4, 2019, Acea has finalised an agreement with DE.CO.RO. S.r.l., regarding the acquisition of a 90% equity stake in Demap S.r.l., which owns a plastics treatment plant with an authorised capacity of 75,000 tons per year. The transaction's economic value, in terms of enterprise value for 100% of the company, amounts to around Euro 20 million. Following the transaction, Demap S.r.l. will be fully consolidated by Acea.

OVERVIEW FINANCIAL INFORMATION OF THE ISSUER

The following financial information is taken from the audited consolidated financial statements of ACEA as at and for the year ended 31 December 2018 and 31 December 2017. The audited consolidated financial statements of ACEA as at and for the years ended 31 December 2018 and 31 December 2017, which have been audited by PricewaterhouseCoopers S.p.A., as well as the accompanying notes, are incorporated by reference into this Base Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See also "Information incorporated by reference".

Certain figures included in the financial information set out in the tables below have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them[13].

[13] The consolidated balance sheet and cash flow statements as at 31 December 2017 have been subject to certain reclassifications by Acea. Therefore, the figures included in this Base Prospectus, which were published in the 2017 consolidated financial statements, do not match the figures published in the 2018 consolidated financial statements.

Consolidated Balance Sheet – Assets

	As at 31.12.2018	As at 31.12.2017
	(audited)	
	(millions of euro)	
Property, plant and equipment	2,365	2,253
Investment property	2	3
Goodwill	150	150
Concessions	2.126	1,771
Other intangible assets	147	144
Investments in: subsidiaries and associates	279	281
Other investments	3	3
Deferred tax assets	227	271
Financial assets	56	38
Other assets	380	234
NON CURRENT ASSETS	**5,736**	**5,148**
Inventories	49	40
Trade receivables	928	1,023
Other current assets	253	148
Cash and cash equivalents	1.068	681
Current financial assets	114	238
Current tax assets	10	62
CURRENT ASSETS	**2,421**	**2,191**
Non current assets available for sale	0	0
TOTAL ASSETS	**8,157**	**7,339**

Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	As at 31.12.2018	As at 31.12.2017
	(audited)	
	(millions of euro)	
Shareholders' Equity:		
Share capital	1,099	1,099
Legal reserve	112	101
Other reserves	(286)	(308)
Retained earnings / (accumulated losses)	534	646
Net profit / (loss) for the year	271	181
Total shareholders' equity attributable to the Group	**1,730**	**1,718**
Minority interests	174	94
Total shareholders' equity	**1,903**	**1,811**
Staff termination benefits and other defined benefit obligations	104	108
Provisions for liabilities and charges	137	210
Borrowings and financial liabilities	3,374	2,745
Other liabilities	348	184
Deferred tax liabilities	100	93
NON-CURRENT LIABILITIES	**3,963**	**3,340**
Trade payables	1,525	1,238
Other current liabilities	329	278
Borrowings	409	633
Taxes liabilities	28	39
CURRENT LIABILITIES	**2,291**	**2,188**
Liabilities directly associated with assets held for sale	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,157**	**7,339**

Consolidated Statement of Cash Flows

	As at 31.12.2018	As at 31.12.2017
	(audited)	
	(millions of euro)	
Cash flow from operating activities		
Profit before tax from continuing operations……..	409	288
Profit before tax from discontinued operations……..	0	0
Depreciation/amortisation……..	367	329
Revaluations/impairment charges……..	18	63
Increase/(decrease) in provisions for liabilities……..	(52)	56
Net increase/(decrease) in staff termination benefits…….	(7)	(2)
Gains on disposals…….	0	0
Net financial interest expense……	83	72
Income taxes paid……..	(79)	(138)
Cash flow generated by operating activities before changes in working capital……	**739**	**668**
Increase in current receivables…….	99	(244)
Increase/decrease in current payables……	(16)	11
Increase/(decrease) in inventories……..	(8)	(8)
Change in working capital…….	**76**	**(242)**
Change in other assets/liabilities during the period	**(90)**	**14**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**725**	**440**
Cash flow from investment activities		
Purchase/sale of property, plant and equipment…….	(242)	(183)
Purchase/sale of intangible fixed assets……..	(375)	(331)
Equity investments……..	0	0
Purchase/sale of investments in subsidiaries……..	(6)	(4)
Proceeds/payments deriving from other financial investments…..	116	(117)
Dividends received……..	9	10
Interest income received……..	21	17
TOTAL……	**(477)**	**(608)**
Cash flow from financing activities		
Non-controlling interests in subsidiaries' capital increase……..	0	0
Repayment of borrowings and long-term loans……..	(381)	386
Disbursement of borrowings/other medium/long-term loans…….	1,000	(450)
Decrease/increase in other short-term borrowings……..	(233)	482
Interest expense paid……	(108)	(99)
Dividends paid…….	(137)	(136)
TOTAL CASH FLOW…….	**140**	**183**
Changes in shareholders' equity after net profit…….	0	0
Cash flows for the period…….	**387**	**15**
Net opening balance of cash and cash equivalents……	**681**	**666**
Net closing balance of cash and cash equivalents……	**1,068**	**681**

Consolidated Income Statement

	Year ended 31 December	
	2018	**2017**
	(audited)	
	(millions of euro)	
Sales and service revenues	2,837	2,670
Other operating income	192	127
Consolidated Net Revenues	**3,028**	**2,797**
Staff costs	(220)	(215)
Cost of materials and overheads	(1,919)	(1,769)
Total Operating Costs	**(2,139)**	**(1,984)**
Net profit / (loss) from commodity risk management	0	0
Income / (charges) from equity investments of a non financial nature	43	27
Gross Operating Profit	**933**	**840**
Amortisation, depreciation, provisions and impairment charges	(455)	(480)
Operating Profit / (loss)	**479**	**360**
Finance (costs) / income	(83)	(72)
Profit / (loss) on investments	13	0
Profit / (loss) before tax	**409**	**288**
Taxation	(124)	(96)
Net Profit / (loss) from continuing operations	**285**	**192**
Net Profit / (loss) from discontinued operations	0	0
Net Profit / (loss) for the year	**285**	**192**
Net Profit / (loss) attributable to minority interests	14	12
Net Profit / (loss) attributable to the Group	**271**	**181**

REGULATORY

EU and Italian laws significantly regulate ACEA's core energy, water, networks and waste management businesses and these regulations may affect ACEA's operating profit or the way it conducts business. The principal regulations applicable to ACEA are summarised below. Although this summary contains all the information that ACEA's management considers material in the context of the issue of the Notes, it is not complete. Investors should read this summary together with the legislation applicable to ACEA, and not rely on this summary only.

Water business

The Galli Law and Environmental Code

The first comprehensive set of legal provisions enacted to regulate the sector of water services was contained in Law No. 36 of 5 January 1994 (the "**Galli Law**") aimed at revising the existing scheme of regulation applicable to the management of water resources, the supply of drinking water and waste water treatment.

The Galli Law supported a transition towards integrated management of all water resources, including both drinking water services and waste water services and delegates the authority for the integrated water services to local authorities.

The Galli Law is no longer directly applicable since it has been repealed by Legislative Decree No. 152 of 3 April 2006 (the "**Environmental Code**"). Through the Environmental Code, the Galli Law was reviewed but substantively maintained.

The Environmental Code which contains integrated provisions for all environmental businesses and, in principle, the regulation of the management of the integrated water service system in Italy, is based on the following principles:

- establishing a sole integrated system for the management of the entire cycle of the water resources (integrated water services or "*servizio idrico integrato*"), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;

- identification, by the Italian Regions and within each of them, of "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "***ATOs***"), within which the integrated water services are to be managed. The boundaries of ATOs were defined on the basis of: (i) consistency with hydrological conditions and logistical considerations; (ii) the goal of achieving industry consolidation; (iii) the potential for economics of scale and operational efficiencies; and

- institution of a Water District Authority for each ATO ("***Autorità di Ambito Territoriale Ottimale***" or "***AATOs***"), responsible for: (i) organising integrated water services, by means of an integrated water district plan which, *inter alia*, sets out an investments policy and management plan relating to the relevant district (*Piano d'Ambito*); (ii) identifying and overseeing an operator of integrated water services; (iii) determining the tariffs applicable to users; (iv) monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

The organisation of integrated water services relies on a clear distinction in the division of tasks among the various governing bodies. The State and regional authorities carry out general planning activities. Local authorities (water district authorities) supervise, organise and control the integrated water services but these activities are managed and operated on a day-to-day basis by (public or private) service operators.

Law No. 42 of 26 March 2010 provided for the abolition of the AATO's starting from 27 March 2011, which deadline has subsequently been extended to 31 March 2011, 31 December 2011 and again to 31 December 2012. By this deadline, regional governments were required to re-assign, by means of specific laws, the roles previously performed by the AATOs, in accordance with the principles of subsidiarity, differentiation and adequacy.

The Environmental Code provides for civil, penal and administrative sanctions in case of violations of its provisions.

It must also be noted that, from August 2011, according to the rules set forth by Legislative Decree No. 121 of 7 July 2011, some crimes concerning water discharge disposal have been introduced within Legislative Decree No. 231 of 8 June 2001 ("**Decree 231/2001**") on entities administrative responsibility which provides that a company is responsible for certain offences (not only crimes) committed by its executives, directors, agents and/or employees in the interest or to the benefit of that company.

Law No. 68 of 22 May 2015 (published in Official Journal 28 No. 122 on May 2015) approved new regulations on environmental crimes. In particular, Law 68/2015 introduces the new Title VI-*bis* - "Crimes against the environment" into the Italian Criminal Code amending art. 257 and 260 of Legislative Decree No. 152/2006. These new crimes add to the list of unlawful acts for which Authorities can be held responsible in accordance with Legislative Decree No. 231/2001, requiring an update of organisational models.

The Italian Regulatory Authority for Energy, Networks and Environment ("ARERA")

Article 21, paragraphs 13 and 19 of Decree Law 201/11 has transferred to the ARERA (formerly, AEEGSI) "the functions of regulation and control of water services" and at the same time abolishing the National Agency for the regulation and supervision of water sector.

The Decree of the President of the Council of Ministers dated 20 July 2012, implementing art. 21, paragraph 19 of Decree-Law 201/11, specifies, in Article 2, paragraph 1, that the functions of regulation and control of water services transferred to the ARERA also pursue the following objectives:

- guaranteeing the equal dissemination, accessibility and quality of services to users throughout the country;
- establishment of a tariff system that is fair, reliable, transparent and non-discriminatory;
- protection of the rights and interests of users;
- management of water services in terms of efficiency, economic balance and financial performance; and
- implementation of EU principles of "full cost recovery".

Article 1, paragraph 1, of Law No. 481/95 provides that the ARERA should pursue, in the performance of their duties, "the purpose of ensure the promotion of competition and efficiency in the service sector utilities, (...) as well as adequate levels of quality in these services in terms of cost and profitability, ensuring usability and spread evenly throughout the country, defining a reliable tariff system transparent and based on predefined criteria, promoting protect the interests of users and consumers, taking into account the legislation Community and general policy guidelines formulated by the Government. The tariff system also harmonize the objectives economic and financial of the parties operating the service with the general objectives of character social, environmental protection and efficient use of resources".

The new tariff method from 2016 to 2019: Resolution-No. 664/2015/R/IDR

On 28 December 2015, with Resolution No. 664/2015/R/IDR, the ARERA approved the new tariff method (MTI-2) for the period from 2016 to 2019. The new tariff method identifies the methodology to be used at the national level to determine tariffs for the years 2016 and 2017 and with some update for the 2018 and 2019. The new methodology represents the reference method to be used in the next few years.

The MTI-2 tariff recognises the large part of previous components, introducing some new condition:

(a) Main directives from the determination to be highlighted:

- every specific attribute for each Operator is chosen and referred to a matrix of 6 different patterns (in the previous method they will be just 4) related to some specific indicator and ratios: i.e. potential changes in the objectives or activities of the Operator (aggregation, significant improvements in quality of service); ratio between investment planned for the following years and the value of existing infrastructure; gap between Water Sector Asset Manager operating cost per inhabitant served and the average operating cost per inhabitant served estimated for the entire industry in 2014 equal to 109Euro/inhabitant;

- there is also a virtual regulatory scheme for financial years in the aggregation phase for which the Regulatory Agency does not have enough suitable information and specific regulation conditions apply (with limited and predefined duration) if equalisation measures are approved;

- it is sponsored the consolidation process enabling a unique tariff proposal in the case of aggregation of Operators between different ATOs;

- it is confirmed the presence of a tariff multiplier with an annual growth ceiling that also considers a certain sharing between the operator and the consumer to be applied on the basis of the cross-compliance of operating cost components;

- it has been introduced a premium/penalties adjustment related to service quality. The premium component is excluded from the threshold of the tariff increase;

- it has been set out criteria to recognize a portion of the costs of non-payment (80 per cent. of the charge actually sustained by Operator), considering the phenomenon’s different impact on the national territory (respectively on the

sales North: 2.1 per cent.; Center: 3.8 per cent.; South: 7.1 per cent.) and encouraging the adoption of mechanisms for efficient credit management;

- the "ψ" parameter, utilized for the determination of the pre-funding component for new investment (FNI), might be selected in the range 0,4-0,8 (despite the previous range between 0,4-0,6);

- concerning the revision of values, the following is expected: on the contrary to what was specified in the water tariff method, the 2-year update of the RAB value, operating cost components that can be revised to cover adjustments, adjustments related to volumes and any changes concerning the valorisation of finance and tax cost components (the calculation of which has partially changed as below detailed).

(b) Net Capital Employed:

- inflation rate is determined as indicated in the resolution for the 2016-2017 but starting from the 2018, as first indication in the determination, the inflation is equal to 1;

- terminal value in case of takeover: starting from a minimal value (equal to the terminal value for the own assets realized from the Operator) to a maximum one (in which are included also other components not specifically referred to the Operator activities).

(c) Operating Costs:

- it is maintained the distinction between endogenous operating costs and upgradeable operating costs. It will be recognized also costs related to eventual operating integrations and/or significant improvements in quality service.

(d) Financial expenses:

- regarding financial and fiscal tariff components, ARERA has revised the individual components for the calculation, borrowing some elements from the new approach established by ARERA for the electricity tariffs. In particular, for the determination of the risk-free rate of return (risk-free rate, RF), it has been replaced the previous references to the Italian market (BPT to 10 years) with references chosen among the European countries with high ratings (government bonds to 10 years - Germany, Belgium, the Netherlands and France) considered at "zero risk" level compared with Italy. The risk-free rate, as defined above, is adjusted by introducing a new component called "Water Utility Risk Premium" (WRP) that represents an additional rate to cover both the risk factors of the Italian market and the average size of the operators of the sector, generally smaller, as well as the public and the local shareholders of the SII Operator. The cost of debt is revised downward in consideration of changes in its individual components; also in this case is considered an extra premium, in comparison with the same component in electric tariff, for the specific conditions of the sector. With regard to the rate of return on equity, however, the choice of the regulator is to leave this indicator unchanged among the previous period and reduced in comparison with the same parameter as established in the electricity

sector: this different approach, between two sector subject to the same Regulatory Authorities, cause a severe distortion among the complex rules established in the entire regulation and compared with other sectors. In this sense, the company has appealed to protect itself and its stakeholders;

- recognition of a financial cost (time lag) equal to 1 per cent. due to the time lag between the year of investment completion and the year of recognition in tariff, as per previous method.

- With reference to the process of approval, by 30 April 2016 the Regulatory Agency:

    a) defines the goals and, acquires the operator's proposal concerning the necessary action to take to reach said goals, updating the Plan of Action ("PdI");

    b) prepares the tariff for the second regulatory period 2016-2019;

    c) draws up the Economic-Financial Plan ("PEF");

    d) sends the above document to the ARERA.

Within 90 days, the ARERA, without prejudice to the need to request further clarification, approves the tariff proposals. The mechanism introduced by ARERA Resolution No. 643/2013/R/IDR was confirmed also for the second regulatory period. This makes it possible to avoid any inertia of local subjects in tariff proposals.

Under the MTI-2 method, tariffs for the year N are determined on the basis of the financial statements for the year N-2 (although some expected updates were introduced before the start of second half-period 2018-2019 with the resolution 918/2017/R/IDR). Therefore, tariffs for 2018 will be determined on the basis of 2016 financial statement (MTI), to be updated considering 2016 financial statements (2016 financial statement was ready in time for the implementation of the new tariff determination MTI-2 and then for the calculation of the 2018 tariffs) and the change introduced by the 918/2017. The process to review the entire tariffs is as usual under ATO control and approval, before becoming the new approved tariffs by Authority.

Quality Regulation: Resolution No. 655/2015/R/IDR

On 28 December 2015, with Resolution No. 655/2015/R/IDR, the ARERA approved the Integrated Text for the regulation of the contractual quality of the SII, in other words each of the single services comprised therein (RQSII). The minimum levels and objectives of the contractual quality of the SII were defined, by identifying indicators consisting of maximum time thresholds and minimum quality standards for the services to be provided to users, the same nationwide, also determining the methods for recording, communicating and checking the data from the services supplied by the service managers. In the event of failure to respect the specific quality standards for the individual services supplied to users, the Authority has introduced automatic indemnities to be paid to users in well-defined times and methods, while for the general quality standards, referring to the overall services, a mechanism of fines has been put in place. Sanctions are also provided for the failure to respect the standards in the event of repeated breaches of the standards and in the event of breaches being ascertained

during checks by the Authority. The Integrated Text (RQSII) included 44 standards (30 specific and 14 general) concerning services involved in the start-up, management and termination of contractual relations, charging, billing, payment and division into instalments, complaints, written requests for information and billing rectification, the management of outlets, the quality of telephone services and obligations in the event of the application of art. 156 of Legislative Decree 152/2006. The new quality regulations, introduced at the end of 2015 resolution, came into force on 1 July 2016, except for certain aspects concerning automatic indemnities (especially the mechanism for increasing the indemnity for failure to respect minimum standards over time), the obligations to notify the Authority and framework government authorities (EGA) and the quality obligations for telephone services, which are applicable from 1 January 2017. The Resolution also provides for the possibility that the framework government authorities, also following a proposal by the service manager, make specific claims requesting the application of higher standards than those in the RQSII, also stating the date of their entry into force.

Other resolutions of 2015 that changed the water regulation

(a) Resolution 515/2015/R/IDR: "Unbundling of the Integrated Water Service or each of the single services in the same – Final guidelines";

(b) Resolution 656/2015/R/IDR: "Uniform agreement for the regulation of relations between awarding parties and operators for the Integrated Water Service - measures on essential minimum content":

- The measure defines a uniform framework of reference on the national (Italian) territory to regulate relation between awarding parties and operators, requiring existing Agreements are brought into line with the "Uniform agreement" (sent to ARERA for approval) as part of the first useful tariff proposals (by 30 April 2016) and in any case no later than 180 days from publication of the resolution (29/12/2015).

Deposit of users: resolutions 02/28/2013 - 86/2013/R/IDR and 27/12/2013 - 643/2013/R/IDR

On 28 February 2013, the ARERA approved a resolution that regulates the deposits of users. The ARERA provided that:

- the operator may require the end user at the time of conclusion of the supply contract, the payment of a security deposit;
- the security deposit charged by the operator in accordance with Article 3, paragraph 3.1, is determined by the value of the consideration payable for a maximum of three months' historic consumption;
- for end users with supply contracts in place at the time of entry into force of this provision: the operator may retain a security deposit, executing the related adjustments, the amounts paid by end users before the entry into force of this measure as an advance on consumption or guarantee executing the related adjustments.

Quality of Water Fit for Human Consumption

Legislative Decree No. 31 of 2 February 2001 ("**Decree No. 31/2001**") redefined the quality requirements for fresh water and introduced measures to guarantee the protection of fresh water sources. The law was introduced to safeguard human health from water contamination by ensuring that all water is healthy and clean.

"Water for human consumption" includes all water of any origin, prior to or following treatment, which is provided for consumption or utilised by food industries. Mineral and thermal waters are excluded from this category.

Decree No. 31/2001 established the quality requirements for fresh water on the basis of parameters and values defined in Annex I of such legislative decree. To ensure compliance with those parameters, Decree No. 31/2001 also provided for periodical water quality checks. These checks may be carried out by the operator of the integrated water services (internal monitoring) or by a local health unit (external monitoring). Water provided for human consumption had to comply with the parameters set out in Annex 1 to Decree No. 31/2001 by 25th December 2003.

Constitutional Court judgment 335/2008

Constitutional Court judgment 335 of 10 October 2008 ("**Decision 335/2008**") declared both Article 14, paragraph 1 of the Galli Law and the corresponding Article 155, paragraph 1 of the Environmental Code to be partially unconstitutional. These provisions established that the tariff component covering waste water treatment is payable by end users "even if there are no treatment plants or such plants are temporarily inactive".

The judgment is based on the opinion that the integrated water services tariff represents payment for services provided under contract and not a form of taxation.

Following Decision 335/2008, the Italian Parliament approved Law No. 13 of 27 February 2009, which under Article 8-sexies introduced a new binding component to the tariff, remunerating the costs incurred in carrying out the overall activities involved in water treatment, including the design, construction and completion of plants and the related investments, as expressly identified and programmed in the area plans.

Under the new legislation, this new component "must be paid" to the operator by end users, in cases where there are no treatment plants or such plants are temporarily inactive, from the start-up of the tender procedures for the design or completion of the infrastructure necessary in order to provide the treatment service, provided that such procedures are implemented in accordance with the established schedule. The second paragraph of Article 8-sexies referred to above, also governs the method of reimbursing the sums received from end users, in accordance with the Constitutional Court ruling, establishing that the design, construction and completion costs incurred are to be deducted from the rebate.

The Ministry of the Environment issued a decree on 30 September 2009, published on 8 February 2010 (the "**Ministerial Decree**"), setting out the rules concerning the reimbursement of the disallowed tariff component covering waste water treatment.

In particular, the Ministerial Decree establishes that:

- the operator must provide the Water District Authority with all the relevant information necessary to permit the ARERA to calculate the amount of the rebates. In particular:

(a) the customers' list containing all the information about whose customers are connected to the sewage network;

(b) amounts paid by the single customer with reference to the tariff component covering waste water treatment;

(c) all the information related to costs incurred in design, construction and completion of the treatment plants; and

(d) the calculation of sums paid by end users in connection with waste water management;

- the rebate must be calculated by the Water District Authority, on the basis of the information provided by the operator;

- the operator must reimburse the disallowed tariff component, either in a lump sum or in instalments, within five years from 1 October 2009; and

- the Water District Authorities are authorised to take all measures necessary to ensure that the operator maintains its financial stability, possibly through an extraordinary revision of tariffs.

In any case, following the approval of the Ministerial Decree, the MTT, the MTI and now confirmed by MTI-2 have substantially provided for the balancing of the reimbursement to end users, thus guaranteeing the revenues of the relevant operators.

Regulation First Year: 2016 – ARERA Water Services Activities

(a) Resolution 137/2016/R/COM: "integration of the accounts unbundling integrated text (TIUC) with the provisions concerning the accounts separation (unbundling) obligations for the water sector":

- With this Resolution, the ARERA has integrated the current unbundling of accounts provided in the TIUC (Accounts unbundling integrated text) for the electricity and gas sectors with the introduction of accounts unbundling obligations for the managers of the SII and relevant communication obligations. The measure, which follows a detailed consultation process (82/2013/R/com, 379/2015/R/IDR and 515/2015/R/IDR) and focus group with those involved, thus completes the regulatory framework for accounts unbundling, adopting a new version of the TIUC, which contains the provisions previously in force for energy services and the new provisions for the water sector. The resolution provides that the accounts unbundling system for the water sector is applicable to all the managers of the SII managing the service on the basis of an awarding procedure in compliance with the laws in force. In particular, with regards to the water service, an ordinary regime is provided that is applicable to the managers of the SII serving more than 50,000 inhabitants and for multi-ATO managers and larger entities (as identified by the Framework Authorities) which, although not providing the service to end users directly, manage the resources, treatment and/or waste treatment. The resolution confirms the introduction of the geographical-territorial size as the basis for the accounts unbundling of the SII at the ATO level in order to enable the recording of all the economic and

equity data for each SII service, which are required to guarantee its application. The new provisions concerning the accounts unbundling of the SII will be applicable as of the 2016 financial year, this financial year being considered as experimental for the water sector. Therefore, the data recorded during the initial collection of unbundling data is not expected to be used for the approval of the 2018 tariffs. The managers of the SII may prepare the annual accounts for the 2016 and 2017 financial years separated according to the simplified regime of accounts unbundling, except for the multi-ATO managers and the managers that are required to prepare the annual accounts separated according to the ordinary regime for the electricity and gas sector. On 2 May 2016, the ARERA published on its company website the schemes of the unbundled annual accounts (CAS) for the first financial year starting after 31 December 2015 (2016 financial year) for activities in the water sector.

(b) Resolution 218/2016/R/IDR: "Provisions for supplying the measurement service of the integrated water service at a national level":

- This measure introduces an initial set of provisions concerning the utility measurement, deferring to subsequent measures the regulations of the industrial utilities authorised to discharge in public drainage systems, the matter of water balance and the definition of the performance levels of the measurement service. The new provisions in the integrated text for the regulation of the measurement service in the framework of the integrated water service at a national level (TIMSII), annexed to the resolution, concern, in particular:

- the responsibility for the measurement service, assigned to the managers of SII which manage aqueduct activities nationwide and will then also invoice the drainage and waste treatment payments for the same levels of consumption;

- the obligations for the installation, maintenance and checking of the utility meters (including meeting the criteria for conducting the meter reading activities in accordance with applicable law);

- the obligations for collecting utility measurements (introduction of a minimum number of annual attempts to read meters, differentiated on the basis of the consumer category, minimal time lags between attempts and repeating the attempt to read meters in the event of utilities with inaccessible or partially accessible meters);

- the obligation to make available to end users at least three methods of self-meter reading (SMS message, telephone call and web chat) active at all times 365 days a year;

- the method of calculating the mean annual consumption to be used in order to determine the minimum number of annual meter reading attempts and the method for estimating and reconstructing data;

- the obligations for filing and making available to those involved the measurement data and the obligations of recording and notifying the Authority.

The resolution also includes an integration to the communication obligation to bill users as of 1 January 2017, establishing that the bill must contain the minimum number of meter reading attempts annually in addition to the average annual consumption of the user as defined in the TIMSII. The timeframe for the application of the new Measurement provisions is the same as that in resolution 655/2015 (contractual quality), in other words 1 July 2016, it being understood that some provisions will come into force subsequently, such as those concerning the general criteria for recording consumption levels and the availability of web-chat mode (from 1 January 2017) and electronic meter reading (from 1 July 2017). However, there is a possibility that the framework government authority may submit reasoned requests for derogation to the Authority for a maximum of twelve months should the service managers prove that they are unable to fulfil the provisions of the measure. The ARERA accepted the claims submitted by ACEA ATO 2 and ACEA ATO 5 for the derogation of the obligation to open a provincial branch in resolutions 324 and 374.

Regulation second Year: 2017 – ARERA Water Services Activities

a) Resolution 43/2017/R/IDR - Notice to fulfil the obligations in the field of measuring the use of the integrated water service, approved by Authority Resolution 218/2016/R/IDR

With this resolution, the Authority notified 47 operators who requested exemption from the application of resolution 218/16 on the measurement of the SII (including Acea Ato 2, Gori, Gesesa and all the Tuscan companies of the Acea Group) to comply by and no later than 31 December 2017 with the obligations relating to:

- the rules on changing delivery points with inaccessible or partially accessible meters after 2 failed attempts (Art. 7.3 I);
- the communication to the user of the day and time slot for the switchover for the collection of the meter reading within 5 – 2 working days prior to the switchover (Art. 7.4 I);
- the communication of information obligations on metered use to the ARERA (Art. 15)

A breach of the new terms (subsequent to that laid down in the resolution 218/16) is prerequisite for the launch of a formal investigation aimed at the adoption of disciplinary measures characterized by the serious nature of the breach due to the importance of the public interest that the metering rules aim to protect.

b) Resolution 665/2017/R/IDR "Approval of the integrated text on water fees (TICSI) laying down the criteria for the tariff structure applied to users"

The measure, adopted after a structured consultation process, defines the principles and guidelines for reorganizing the fees in the interests of streamlining the types (and sub-types) of use – whether domestic or non-domestic – as well as of the homogenization of the tariff structures currently in force. In particular, for the domestic type it foresees a simplification and containment of the sub-types (domestic resident, apartment building use, non-resident domestic use and any two further sub-types of uses). For domestic resident uses, the tariff structure provides for each aqueduct, sewerage and purification service, a variable amount proportional to consumption and – limited to the

aqueduct service – modulated by bands (preferential, basic and from one to three excess bands) and a fixed amount, not correlated to consumption. For the variable aqueduct amount, the application of a minimum preferential consumption band is envisaged (determined with reference to the minimum vital quantity set by the DPCM of 13 October 2016 at 50 litres/inhabitant/day) and configured based on a per capita criterion. The variable amount of the aqueduct service, moreover, is defined according to the actual number of components, if this information is already available to the EGA; otherwise according to a standard per capita criterion (domestic resident user type equal to 3 components), until the completion of the information set necessary, to be implemented by 2021 at the latest. For non-domestic uses, there is the obligation (from 2018) of equating the types of non- domestic use to the six envisaged by the authorities (industrial use; artisan and commercial use; agricultural and livestock farming use; public use that cannot be cut off; public use that can be cut off; other uses). For this type the overcoming of the minimum committed and a binomial tariff structure (fixed rate and variable rate) is also envisaged. As regards the tariff rates application for the year 2018, the Authority establishes that the operator, at least in the last billing cycle of 2018, must issue bills based on the new approved tariff structure.

For the collection and purification tariff of industrial wastewater, the application of a trinomial structure based on a fixed amount is envisaged (entirely attributed to the sewerage service), "capacity" amount (entirely attributed to sewerage) and variable amount (proportional to volumes discharged and quality of wastewater) and compliance with the expected constraint on revenues (maximum flexibility of +10%) and the condition of sustainability per individual industrial user (increase in expenditure no higher than 10%).

The new rules for reorganizing the final user rates, including the application of the trinomial structure of the tariff for the collection and purification of industrial waste, apply as of 1 January 2018, postponing until 2020 (in coordination with the unbundling rules) the application of a uniform criteria for allocating the cost of treatment between industrial and domestic users, and however, imposing starting from 1 January 2022, the mandatory application of the per capita criterion based on the actual size of the components for the variable amount of the aqueduct service for domestic resident users.

c) Resolutions 917/2017/R/IDR – Adjustment of the technical quality of the Integrated Water Service or of each of the individual services that it comprises (RQTI)

With this measure, the Authority has defined the rules on the technical quality of the SII with an approach that takes into account the specific conditions of the various contexts in order to identify the correct and effective stimuli to promote benefits for users of various services. The new model, defined as a result of and in continuity with the extensive consultation carried out (DCO 562/2017/R/IDR and DCO 748/2017/R/IDR) is based on a system of indicators comprising:

- prerequisites: that represent the conditions required for admission to the incentive mechanism associated with the general standards;
- specific standards: that identify the performance parameters to be ensured in the services provided to the individual user and failure to comply with them leads to the automatic application of compensation;

- general standards: divided into macro-indicators and simple indicators that describe the technical conditions for the provision of the service to which an incentive-based mechanism is associated.

Each macro-indicator is associated with a classification table which allows the relevant class to be identified and the consequent annual objectives that the operator is required to achieve, articulated into maintenance objectives of the highest class and the improvement objectives for the other classes with differentiated values based on the starting conditions encountered.

A system of incentives is applied, structured into awards and penalties to be allocated from the year 2020, according to the performance of operators recorded in each of the two previous years and with three assessment stages (basic, advanced and excellent). The allocation takes place in a symmetrical way for awards and penalties, in accordance with an approach that takes account of the initial situation and performance changes. For the advanced and excellent levels, a multiple criteria analysis is applied that uses the TOPSIS (Technique for Order Of Preference by Similarity to Ideal Solution) methodology.

The hedging of costs related to compliance with the specific standards and the achievement of the objectives set out in the Technical Quality takes place as determined by the tariff method (MTI-2), as supplemented by resolution 918/2017/R/IDR. In particular, expenditure for investment concerning measures adopted and included in the interventions programme (IP), is financed in the framework of updating the relevant economic-financial programme (EFP) or, in the case of the conditions are met, in application of the provisions laid down with regard to the extraordinary review. The government Entity in the field may, however, formulate a specific request to hedge any additional operating costs.

The resolution provides for the application of the system of indicators based on the Technical Quality –as well as the start of their monitoring – starting on 1 January 2018 (based on the value assumed by the macro-indicators in the year 2016, while from 1 January 2019 it will be based on the value in the previous year, where available), and from 1 January 2019 the application of the rules concerning the recording and archiving of data obligations provided by the same measure.

The incentive-based mechanism (awards/penalty) is planned to enter into force for the sole macro-indicator M2 from 2020, without prejudice to the monitoring obligation.

The definition of the timescales and procedures for reporting the data monitored and the Technical Manual have been postponed until subsequent measures.

d) Resolution 918/2017/R/IDR - Biennial update of the tariff arrangements of the integrated water service

After the consultation in November 2017 (DCO 767/2017/R/IDR) the Authority issued the final measure that defines the rules and procedures for the purposes of the biennial update (2018-2019) of the tariff arrangements of the integrated water service, integrating Annex A of the water tariff method 2016-2019 MTI-2 (resolution 664/2015/IDR). The deadline for submitting the tariff arrangements to the Authority for the two-year period 2018-2019 was 30 April 2018. For the purposes of recalculating tariffs, the parameters relating to rates of inflation are updated for the update of

operating costs, to the values of gross fixed capital formation deflator and the average cost of electrical supply in the sector. Within the scope of measures in support of investments, the measure provides for specific controls on the actual implementation of the investment planned for the years 2016 and 2017 in continuity with the previous two-year period, as well as on the consistency between the priority objectives laid down for subsequent years and the economic-financial management sustainability, and updates all the main parameters for calculating financial and tax burdens, recognised in the tariff. In addition, the measure requires the relevant government body to review and update its programme of interventions outlining, during the transposition of the specific objectives identified by the technical quality regulations, the intervention strategies to be favoured, with the related effects in tariff terms. With the resolution in question, the tariff component UI2, to be allocated primarily to the promotion of technical quality and, with reference to the introduction from 1 January 2018 of the social bonus for water for household appliances in a proven state of economic hardship, the tariff component (IU3) for the equalisation of the costs relating to the provision of the social bonus for water are finally quantified.

e) Budget Law 2018 (Law 205 of 27 December 2017)

As regards the Integrated Water Service, Law 205 of 27 December 2017 approved the so-called amendment on "*maxibollette*" (maximum bills), reducing the period of limitation of the right to remuneration water service supply contracts in relations between customers (domestic, professionals and micro-enterprises) and the seller to two years. These rules apply with reference to bills that fall due after 1 January 2020.

The ATO 2 new tariff approval: Resolution No. 674/2016/R/IDR

By resolution 674/2016/R/IDR, the ARERA approved the specific regulatory schemes, aimed at managing ACEA ATO 2 2016-2019 tariffs. In particular, the ARERA has accepted an instance, proposed by the Technical Secretary of the Ente d'Ambito, for the contractual quality awards recognition in relation to the improvement of the indicators defined by resolution 655/15 (except those relating to processes that are not in the operating organisation or with more stringent levels in service). 43 indicators out of 47 established by Resolution No. 655/2015 have been indicated as improving objects, with an estimated improvement average value of 46.5% in 2016 and 38.3% in subsequent years. Considering the award tariff impact, by reference to the 2016 performance, within the limits of the results and service quality improvement levels achieved, starting from the 2018 tariff the Conference of Mayors charged:

- Euro 19.6 million in respect of the 2018 fares (assuming that in 2016 the manager will be able to achieve at least the 65% of the maximum premium equal to almost Euro 30 million);

- Euro 40.2 million in respect of the 2019 and subsequent years fares (assuming that 100% of the maximum premium will be achieved after 2016).

ARERA welcomed the proposal, yet to be resolved upon, by the Conference of Mayors, relating to the use of the solidarity fund, available as at 31 December 2015 (Euro 13.2 million), to further reduce the balance already approved in the previous regulatory period (about Euro 39.8 million) with tariff consequences in 2016. The resources generated through the contribution collected in bills during the 2016 for solidarity purposes have been retained, while, from 2017 the item "solidarity contribution" will be repealed and the solidarity fund will

receive the new investment fund (FNI) fixed amount, equal to 2 million/year, in line with the provisions of the MTI-2 and pending the introduction of the social tariff (introduced by DPCM October 13, 2016).

In 2018, for the purposes of recalculating tariffs as set forth under Resolution 918/2017/R/IDR of 27 December 2017, "*Biennial update of the tariff arrangements of the integrated water service*", ACEA ATO2 has been proceeding with the biennial update of the tariff arrangements of the integrated water service and the process is in a full implementation.

Other resolutions of 2017 in the water regulation

a) Resolution 897/2017/R/IDR: "Approval of the integrated text of the application modalities of the social water bonus for the supply of water to economically disadvantaged domestic users":

With the TIBSI the AEEGSI establishes the social water bonus confirming most of the orientations expressed during the consultation process (DCO 470/2017 and 747/2017).

● Beneficiaries: users who are entitled to the electricity and / or gas bonuses due to economic hardship (domestic residents who belong to a family with an ISEE indicator not exceeding 8,107.50 euros or 20,000 euros with at least 4 dependent children);

- Supplementary bonus: the EGA can introduce or confirm a "local bonus". In this case, the EGA will remain free to recognize to the final user an additional amount of facilitation compared to that provided for by the sector regulation and / or to extend the ISEE threshold envisaged for admission to the bonus.

- Value: the "social bonus" is calculated on the basis of family size (per capita) by applying the preferential tariff to the minimum vital water quantity.

- Admission: the bonus request will be presented to the municipality of residence together with the bonus energy. The management of the applications will take place through the EMS computer system through which the municipality will carry out the checks for admission, while the manager will only have to check the contract.

- Disbursement: in the bill through the application of a compensatory tariff component for direct users determined with the pro quota day criterion (the integrative bonus can also be recognized as a one-off), through recognition of a one-time contribution for indirect users.

- Transparency: in the summary of the bill the amount of the social water bonus paid (and the amount of additional water bonus if present) paid must be indicated as a deduction of the fees for the variable portion of the water supply service.

- Social Bonus coverage: UI3 tariff component (0.5 cents / € m3) applied to all users of the SII other than those directed under conditions of economic and social hardship, as an increase to the amount of the aqueduct. The coverage of the bonus related to the bonus is made by means of an OPsocial cost component operating on a local basis to which the share of FoNI already allocated for tariff subsidies will be allocated.

- Bonus validity: twelve months, renewable.

In 2018, the procedures for applying the social water bonus have been defined (resolution n. 227/2018/R/IDR) for domestic users living in conditions of economic hardship. The provision, in particular, regulates the information flows, the exchange of data and the operating methods for the payment of the social water bonus as well as the information and communication obligations placed on the subjects involved in the mechanism to allow, starting from 1 July 2018, the granting of the concession to users who request it.

b) Resolution 900/2017/R/IDR: "Extension of the availment of Single Buyer S.p.A. to the water sector, implementing the resolution of the Authority 622/2017/E/IDR"

The measure complements the regulatory framework for the extension of the protection system expanding the AU's recourse activities also to the water sector (with charges incurred by the "*Account for the promotion of the quality of the aqueduct, sewerage and purification services*" fed by the component UI2) and changing the name of the "*Energy consumer help-desk*" to the "*Energy and Environment consumer help-desk*" (Resolution 920/2017/R/IDR).

Regulation Year 2018 – ARERA Water Services Activities

The year 2018 was marked by the entry into force of several ARERA provisions (issued in the course of the year 2017) that significantly changed the regulatory framework with regard to the following aspects: redefinition of the tariff structure, launch of the social water bonus for utilities in conditions of economic hardship, start of the application of the regulation of technical quality, consumer protection. Particularly, Resolution 918/2017/R/IDR which introduces measures concerning the two-year update of the tariff provisions for the two year period 2018-2019 was also issued (two-year period ending the second regulatory period 2016-2019). The same Resolution also provides for the quantification from 1 January 2018 of the UI2 equalisation tariff component (Technical Quality) and the introduction of the UI3 equalisation tariff component (Social Water Bonus). The framework relating to the measures to contain arrears in the IWS is yet to be defined, for which DCO 80/2018 of February 2018 was issued and the final provision is currently pending.

a) Resolution 25/2018/R/IDR - Initiation of the proceeding concerning the necessary and urgent interventions for the water sector for the definition of the "Aqueducts" section of the national plan, referred to in Article 1, paragraph 516 of Italian Law 205/2017

The provision initiates a proceeding concerning the necessary and urgent works in the water sector for the purposes of defining the "aqueducts" section of the National Water Works Plan, referred to in Article 1, paragraph 516 of the 2018 forecast budget law (Italian Law no. 205/17 of 27 December 2017). The aforementioned budget law provides that the Regulator, after consulting the Regions and local authorities concerned, on the basis of the existing schedules and monitoring the implementation of the financial plans of the managers "conveys the list of necessary and urgent works for the sector, specifying the implementation methods and times, for the achievement of the following priority objectives: achievement of adequate levels of technical quality, recovery and expansion of the water supply and transportation of water resources, dissemination of tools aimed at saving water in agricultural, industrial and civilian uses". The Authority also resolved to verify the "persistence of any critical issues in the planning and implementation of works in certain areas of the country, as well as to carry out additional monitoring activities" also using the Energy and Environmental Services Fund (CSEA).

b) DCO 80/2018/R/IDR - Procedures for the containment of arrears for the integrated water service

With consultation document (DCO) 80/2018/R/IDR, ARERA presents the final guidelines on the measures necessary for the containment of delinquency related to the integrated water service and also attaches the provision scheme for the Regulation of arrears in the integrated water service (REMS1). In particular, the DCO contains the final guidelines on the following aspects:

- definition of the categories of final users that cannot be disconnected;
- timing and methods for the declaration of default (including the methods for the payment of the amounts subject to declaration of default);
- timing and procedures for limiting, suspending and deactivating the water supply;
- protection measures that benefit the end user, in particular for resident home users and users in conditions of economic hardship or physical disability;
- compensation that the manager is required to pay in the absence of compliance with certain deadlines.

In addition, the DCO introduces changes to the integrated text of the Contractual Quality regulation - RQSII, establishing that, in the event that it is not possible to extinguish the complaint, the manager provides the end user with the information to resolve the dispute, indicating in particular the contact details of the Energy and the Environment Consumer Desk and the procedures for involving any other out-of-court dispute resolution bodies, in which the operator commits to participate to make an attempt to resolve the matter through mandatory no-cost end-user mediation.

Lastly, the provision scheme supplements Resolution 86/2013 relating to the security deposit by providing that the security deposit that has been fully or partially depleted due to default of the end user can be reinstated by the manager by adding the related amount in instalments to the subsequent bills over a minimum instalment period equal to 18 months, unless otherwise agreed between the parties. The end user's will to avail himself of the possibility of paying in instalments for a period of less than 18 months must be expressed in writing or in another documented manner.

Nowadays the final procedure regarding the arrears is not yet approved and delivered by ARERA.

c) Resolution 1/2018/DSID - Definition of the procedures for the collection of technical and tariff data, as well as the standard forms for the report accompanying the programme of works and updating the tariff provisions for the years 2018 and 2019, pursuant to Resolutions 917/2017/R/IDR and 918/2017/R/IDR

With regard to the biennial update of the tariff provisions, which is expected to be implemented by the governing bodies of the area (EGA) by 30 April 2018, with Resolution 1/2018 drafted by the Water Systems Department (DSID), the ARERA incorporated the contents of

Resolutions 917/2017 and 918/2017 and established that by 30 April 2018 the EGA must send the ARERA (for the purpose of its approval) the update of the tariff arrangements for the years 2018 and 2019 through the specific procedure available on the ARERA website.

The decision also approves the standard schemes for the preparation of the works programme and the economic and financial plan, the standard format for the report accompanying quality data and the works programme, the standard format for the accompanying report on the update of tariff preparation. The final forms were made available with the Press Release of 5 April 2018, initiating data collection and reconfirming the deadline of 30 April 2018 for the EGAs.

d) Resolution 57/2018/A - Approval of the organisation and operation regulations of the new ARERA organisational structure

This resolution describes the new organisational structure of the Authority, in force since 1 March 2018, updated in light of the new responsibilities in the waste cycle. The framework was completed by subsequent resolutions 58, 59 and 60 (assignment of macro-structure assignments, interim appointment of the Director of the Environment Division, assignment of offices).

e) Resolution 9/2018 - DACU Changes to the regulation of the operators - managers portal and to the user manual as per the resolution of 5 January 2017, 1/DCCA/2017

With Resolution 55/2018/E/IDR, ARERA defines the transitional regulations in force from 1 July 2018 until 30 June 2019 for the extension of the consumer protection system to the water sector and for the out-of-court settlement of disputes already active in the electricity and gas sectors. Approved after two consultations in the months of September and December 2017, the provision contains two attachments:

- Annex A "Transitory regulations concerning voluntary out-of-court settlement procedures for disputes between water users and operators";
- Annex B "Regulations concerning the activities carried out by the desk with reference to the processing of second-level complaints of water users".

With regard to the Transitional Regulation, we note:

- Mediation Scope: from 1 July 2018, attempts to mediate disputes between users and their managers will be voluntary and possible - also through the ARERA Mediation Service - and for issues related to the aspects regulated by ARERA itself and for all other issues of interest to the user of the IWS, with the exclusion of those not falling within the scope of application of the Integrated Text of Mediation (TICO) and those relating to water quality;
- Duration of the transitional period: the transitional period, defined in the document itself as the "period from the activation for the water sector of the ARERA Mediation Service managed by the Single Buyer, as of 30 June 2019", will start on 1 July 2018 and will end on 30 June 2019. An assessment of the implementation status of the transitional provision is envisaged in order to evaluate further gradual mechanisms, after discussion with the stakeholders;

- Exemptions from the implementation of the regulation: if the manager proves that it cannot comply with the obligation to take part in the mediation procedure in the times provided, the EGA responsible, in agreement with the manager and the regionally registered local consumer associations, has the right to submit to ARERA a request for a justified exemption limited to this obligation and for a maximum period of one year, in any case with a deadline of 31 December 2019. The application is considered admissible if it is submitted by 30 September 2018 and if it is based on the existence of ongoing aggregation processes involving the manager submitting the application. ARERA will check the requests received and grant or deny the requested exemption.

With Resolution 56/2018 ARERA launched a fact-finding investigation concerning complaints and reports sent to ARERA by IWS users, Consumer Associations and local public bodies. The procedure, which was completed on 31 December 2018, concerns in particular the most recurrent critical issues communicated to ARERA regarding:

- interruptions to the supply of the service due to causes or methods that do not comply with current legislation and/or user contracts;

- delays in the execution of works/connections associated with transfer and/or take-over procedures;

- failure to comply with the frequency and transparency of billing;

- responses to complaints, notifications and requests for information from users (missed responses, inaccurate/generic responses also sent using standard forms, inadequate assistance from call centre operators).

Lastly, again with regard to consumer protection, we point out DCO 199/2018/R/com "Guidelines for sectoral efficiency and harmonisation of the regulation regarding out-of-court dispute resolution procedures between customers or end users and operators or managers in the sectors regulated by the authority for energy networks and the environment (TICO)" with which ARERA expresses its orientation on the topic (by offering 14 different ideas) and represents some clarifications that apply to the regulation. The effectiveness of the interventions subject to consultation will start from 1 January 2019, with the exception of the provisions for the water sector which are proposed to be effective from 1 July 2018 (coinciding with the entry into force of the transitional period pursuant to Resolution 55/18). Despite the several changes introduced by the consultation document, no new deliberation is still followed yet.

f) Resolution 14/2018 - DACU Approval of the detailed procedures for the validation of Social Water Bonus requests and the procedures for the recognition of the One-Off quota as per Resolution 21 December 2017, 897/2017/R/IDR as amended.

With Resolution 14 of 10 August 2018, ARERA approved the detailed procedures for the validation of social water bonus requests. These procedures are contained in Annex A, which specifically reports the checks that water managers are required to make on the Request for Benefits (RDA) for the purposes of validation/rejection (OK/KO) of the social water bonus, as well as the list of the reasons for the rejection of the RDA to be used to communicate the details of the RDA rejection to SGAte. The procedures contained in Annex A are divided into fully operational procedures and operating procedures for 2018. Furthermore, the Authority

approved the self-certification form that the user can use to declare that he/she is in the conditions required to obtain the social water bonus.

g) Document for consultation 573/2018/R/IDR of 13 November 2018 - Control of the implementation of planned investments for the integrated water service

The document is part of the procedure started with Resolution 518/2018/R/IDR (conclusion scheduled for 30 April 2019) and illustrates the Authority's guidelines for:

(i) assessing the possible benefits achieved by the manager through the use of regulatory schemes for the promotion of investments even in the presence of their non-execution;

(i) taking into account the outcome of the monitoring of the causes of deviations between the investments made and those planned, articulating the current system of rules possibly by providing for the mere recovery of the possible benefits in the absence of responsibility, as well as the application of specific penalties and the recovery of the benefits achieved in the event of persisting difficulties in carrying out the planned investments and with the presence of significant differences;

(ii) defining further rules that put the managers in charge of differentiated efficiency improvements due to the relative effectiveness in carrying out the planned investments.

In fact, when processing the data received, ARERA found uncompleted planned investments, with deviations more or less significant compared to what was planned in the various ATOs. In particular, the rate of completion of the planned projects was 1.9% for 2014, 77.6% for 2015, 81.7% for 2016 and 88.8% for 2017. Despite the several changes introduced by the consultation document, no new deliberation is still followed yet.

h) Resolution 34/2019 – Start of procedure for the definition of the water tariff method for the third regulatory period (MTI-3), getting together with the procedure pursuant to Authority Resolution 518/2018/R/IDR

The Authority starts the procedure for defining the Water Tariff Method for the third regulatory period, getting together with the procedure referred to in Resolution 518/2018/R/IDR and identifying a single deadline for the conclusion of the procedure.
By 31 December 2019 the new water pricing method will be implemented (MTI3); in this new method it will be further promoted the effectiveness of investment spending in water infrastructure, improved programming quality and maintained an integrated view on the multiple sources of financing activated; will also come ensured efficient financial management efficiency, in a manner consistent with the measures already adopted for maintaining the economic and financial balance in the various territorial contexts, in a framework of strong attention to the social sustainability of the tariffs paid by the end users.

Waste business

The Ronchi Decree and the Environmental Code

The first comprehensive reform concerning the waste sector was carried out through Legislative Decree No. 22 of 5 February 1997 (the "**Ronchi Decree**") which pursued the objective of overcoming fragmented management, separating planning from operations, and

reforming the system of remuneration of the service by applying a rate suitable to cover investment and operating costs. The regulatory frame has been recently changed after the approval of the Environmental Code, which has repealed the Ronchi Decree, by introducing important amendments aimed at promoting the development of competitive tendering of waste management service.

In particular, the regulation contained in the Environmental Code is based on the following key principles:

- wastes are classified according to their origin as "urban waste", "special waste", "hazardous waste" and "non-hazardous waste";
- segregated waste collection, establishing collection targets in defined timeframes: 35 per cent. by 31 December 2006, 45 per cent. by 31 December 2008 and 65 per cent. by 31 December 2012;
- each Region shall be divided into ATO's and a Waste District Authority shall be established for each ATO ("***Autorità di Ambito Territoriale Ottimale***" or "**AATOs**"), which is responsible for organising, awarding and supervising the integrated urban waste management services (collection, transport, recycling and disposal of urban waste);
- the AATO shall draft a district plan, in accordance with the criteria set out by the relevant Region;
- the Municipalities' responsibilities relating to integrated waste management shall be transferred to the AATOs;
- a phasing-out of landfills as a disposal system for waste materials; and
- the order of priority of the procedures through which waste can be managed shall be the following: (i) preparation for re-use; (ii) recycling; (iii) recovery, including energy generation; and (iv) disposal.

The Integrated Waste Operator

The Ronchi Decree provided that the phases of collection and transport of urban solid waste be managed in a unitary and centralised way by the Municipalities belonging to the ATO, in accordance with one of the modalities provided for by the general laws and regulations regarding local public services. Conversely, recycling and disposal operations were subject to a regulated access regime, permitting possible forms of competition on the market.

The Environmental Code has partly modified the above-described regulatory framework, by providing that the award of the management of waste integrated cycle service is made in favour of a sole operator for each ATO by a competitive procedure to be organised by the AATOs pursuant to Art. 23-*bis* of Decree No. 112/2008, as recently amended by Art. 15 of Law Decree No. 135 of 25 September 2009 (converted in Law No. 166 of 20 November 2009) which sets forth the new legal regime in relation to the awarding of the local public services. For an analysis of such regime, please see below, under *Regulations applicable to the supply of local public services: Water, Waste and Public Lightning Services*.

Under the Environmental Code, companies producing waste are responsible and shall be charged for waste storage, transportation, recycling and disposal. Legislative Decree No. 205 of 3 December 2010, amending the Environmental Code rules concerning the paper-based waste management system, introduced the new electronic waste monitoring system (the "**SISTRI**"), which according to article 1 of Law Decree No. 96 of 20 March 2013, became operative by 1 October 2013. Also, with respect to waste management, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning waste disposal have been introduced within Decree 231.

Waste Tariff Mechanism

The Ronchi Decree replaced the urban solid waste disposal tax (so-called *Tassa per lo smaltimento dei rifiuti solidi urbani*) with a tariff regime, aimed at fully covering costs, which was based on a "price cap" method and giving responsibility to the municipalities for determining the tariff on the basis of a reference value established according to the so-called "normalised method" provided for under Presidential Decree No. 158 of 27 April 1999 ("**Decree No. 158/1999**").

The Environmental Code has assigned to each AATO the task of determining the tariff to be paid to the service operators: such tariff shall be commensurate with the ordinary average quantity and quality of waste produced by square meter in relation to the use and types of activities carried out, on the basis of general parameters determined by an ad hoc regulation of the Ministry for the Protection of the Environment and Territory.

By 31 December 2009, the Ministry is required to adopt a regulation identifying the cost components for determining the tariff. Should the Ministry not adopt such regulation, on the basis of the provisions of Decree No. 158/1999, the previous regulations apply. As of the date of this Base Prospectus, this regulation has not yet been adopted and there is currently no clarity as to the timing for its adoption.

In July 2009, by Decision No. 38/2009, the Constitutional Court declared that the waste tariff pursuant to Article 49 of Legislative Decree No. 22 of 15 February 1997, also known as "**TIA1**" was by way of tax and therefore not subject to VAT. Following this decision, the Italian government approved Law Decree No. 78 of 31 May 2010, providing, under Article 14, paragraph 33 that "*the provisions of Article 238 of Legislative Decree No. 152 of 3 April 2006 shall be interpreted in the sense of the non-taxation nature of the tariff provided therein*". The disputes relating to this tariff which ensue after the effective date of this Decree fall under the jurisdiction of the ordinary judicial authority. Therefore, currently the TIA is subject to VAT, while an intervention by the legislator is awaited for the possible issue of refunds for the period in which TIA1 applied, together with the consequent reorganisation of the entire issue and the relative regulatory regime.

Article 14 of Law Decree No. 201/2011 has introduced, applicable from 1 January 2013, a new municipal waste tax, to be paid to each relevant municipality (the so-called "RES"). According to Article 1 of Law Decree No. 1/2013, the applicability of the new tax was postponed to July 2013. For 2014 the tax will be paid in four instalments: January, April, July and October.

According to Article 14, paragraph 29, of the Law Decree No. 201/2011, the Municipalities which have put in place measures for determining the specific quantity of waste conferred to the concessionaire of the urban waste management service, may enact regulations providing

for the application of a tariff instead of the RES, to be paid directly to the concessionaire. The determination of such tariff will be provided by the above mentioned Decree.

Regulations applicable to the supply of local public services: Water, Waste and Public Lightning Services

The integrated water service, the integrated waste management service and the public lightning service are economic local public services.

Legislation regulating local public services of economic importance was affected by the outcome of the law-repealing referendum held on 12 and 13 June 2011.

Subsequently, Article 4 of Law Decree No. 138 of 13 August 2011, converted into law by Law No. 148 of 14 September 2011, as amended and supplemented by Law No. 183 of 12 November 2011 (Decree 138/2011), re-introduced provisions analogous to those previously contained in the law provisions repealed by the aforementioned referendum. In particular, paragraph 32 of Article 4 provided for a transitory period regarding local public services awards:

(a) public services awarded by a local public authority, without any public tender, to "in house" companies[14] or, in any case, local public services assigned by the authority without any public tender to companies which do not meet the "in house" requirements as well as local public services not included among the cases provided by the paragraphs (b), (c) or (d) below should have terminated on 31 March 2012[15];

(a) local public services awarded to public-private companies, where the private partner has been selected through tenders which did not have as their object (i) the award of the position as shareholder and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of same service, should have expired on 30 June 2012[16];

(b) local public services awarded to companies whose share capital is owned both by public and private partners, where the private partner was selected through competitive procedures, for the purposes, at the same time, of selecting the private partner and of assigning operational tasks to the private partner regarding the management of the service, shall expire at the expiry date provided by the relevant contract; and

(c) local public services which, as of 1 October 2003, had been awarded directly to companies in which public entities have a shareholding and listed in official stock exchanges as of the same date, as well as to their subsidiaries pursuant to Article 2359 of the Italian Civil Code, should have expired at the date provided by the relevant contract, upon the condition that the shares held by public entities (*soci pubblici*) in such companies as of 13 August 2011 or governed by a shareholders' agreement (*partecipazione sindacata*) should have been reduced to a holding not exceeding 40 per

[14] *i.e.* local public services granted to (i) companies controlled 100 per cent. by the public entity and (ii) providing their main activity in favour of the same, having an overall amount higher than Euro 200,000.00 or, in any case, local public services assigned by the authority without any tender to companies which do not meet the "in house" requirements under (i) and (ii) above as well as local public services not included among the cases provided for by paragraphs (b), (c) and (d).

[15] Term subsequently extended to 31 December 2012

[16] Term subsequently extended to 31 March 2013

cent. by 30 June 2013 and not exceeding 30 per cent. by 31 December 2015. Otherwise, the relevant awards should have terminated respectively on 30 June 2013 or 31 December 2015, with no need of a formal decision by the awarding authority.

By decision No. 199/2012, the Constitutional Court declared the constitutional illegitimacy of Article 4 of Decree No. 138/2011. The Court ruled that Article 4 was in breach of Article 75 of the Constitution because it had re-introduced provisions analogous to those provided under the previous legal and regulatory framework, which had been previously repealed by the referendum.

Following the repeal of Article 4 by decision No. 199/2012, on 20 October 2012, Law Decree. No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to (i) gas; (ii) electricity and (iii) municipal pharmacies. Article 34 of this decree, with regards to local public services, provides that:

- public entities, before granting the concessions, shall publish on their websites a report clarifying the type of the award of the concession they have chosen (i.e. public bidding procedure for selecting a private company, public bidding procedure for selecting the private partner of a public-private company, direct award to wholly-owned public companies) and the relevant reasons underlying the choice;

- with reference to the concessions existing as of the date of entering into force of the decree (i.e. 20 October 2012) the aforementioned report has to be published by 31 December 2013;

- with reference to those concessions which do not provide for an expiry date, the competent awarding authority shall integrate the concession agreement with an expiry date; should the awarding authority fail in providing an expiry date, the relevant concession shall cease at 31 December 2013; and

- concessions granted to companies whose shares were listed on a stock exchange prior to 1 October 2003 (and to their subsidiaries) will terminate according to the terms originally indicated in the concession agreement or in the other relevant acts; if no specific expiry date is provided, the concession shall expire not later than 31 December 2020, and no formal resolution from the awarding authority will be required in this respect.

As to the procedures for the assignment of local public services, Article 34 of Decree No. 179/2012 does not contain any specific provisions, except for the general principle according to which the local public service must be assigned on a homogeneous territorial basis (*ambiti territoriali ottimali e omogenei*). Therefore, considering that:

(i) Article 23-*bis* of Law Decree no. 112 of 25 June 2008, (converted with amendments into Law no. 133 of 6 August 2008) has been repealed by the above-mentioned referendum; and

(ii) Article 113 of Decree 267/2000, for the part abrogated by Article 23-bis[17], cannot be revived, according to the above-mentioned Constitutional Court decision No. 24/2011,

[17] Please note that art. 23-*bis* had abrogated almost all of the relevant provisions of article 113 of Decree 267/2000. The only relevant provisions of 113 not expressly abrogated by article 23-*bis* provide for (i) the management of the public services plants and grid which (if separated from the management), has to be

for the time being public entities shall apply the principles and regulations provided for by the EU Treaty on the Functioning of the European Union and, in general terms, by EU Law and relevant case law. In this respect, the relevant authority shall alternatively award the new concession:

(1) to private companies, selected by means of a public bidding procedure;

(2) directly to public-private companies, should the private partner be selected through a tender having as its object (i) the award of the position as shareholder and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of the service; and

(3) directly to companies wholly-owned by public entities if the sole purpose of such companies is to supply services to those public entities and if the awarding authority may exert over the concessionaire public company the same control that the authority exerts over its offices and departments (so called "in-house" companies).

Since the beginning of 2018, ARERA, in order to comply with Law No. 205 of 27 December 2017 ("*State Budget for the financial year 2018 and multi-year budget for the three-year period 2018-2020*"), which attributes to the Authority regulatory and control functions in the sector of urban and similar waste (articles 527-530), has started proceedings for the identification and adoption of regulatory measures both on quality and on tariffs. At the moment no new provisions have been approved.

The law of December 27, 2017, n. 205, attributed to the Authority functions of regulation and control of the cycle of waste, also differentiated, urban and similar, to be exercised "with the same powers and within the principles, purposes and attributions, also of a sanctioning nature, established by the law November 14, 1995, No. 481" and already exercised in other areas of competence:

Resolution 225/2018/R/RIF – Start of proceedings for the adoption of tariff regulation measures on waste cycle, including differentiated, urban and similar

The Authority starts a procedure for the definition of tariff measures concerning waste cycles and for the collection of data and information from Administrations, Regions, local authorities and public and private subjects operating in the sector

Resolution 226/2018/R/RIF – Start of proceedings for the adoption of measures to regulate the quality of service in the waste cycle, including differentiated, urban and similar

The Authority starts a procedure for regulating the quality of the service in the waste cycle, including differentiated, urban and similar, and for the collection of functional data and information.

Resolution 716/2018/R/RIF – Start of proceedings for the establishment of a system for monitoring tariffs for the integrated waste management service, including differentiated,

awarded by a public tender (ii) the relationship between public entities and the concessionaire of the public services, which has to be regulated by a service contract

urban and similar and individual services that are management activities for the years 2018 and 2019

The Authority starts a procedure for the establishment of a tariff monitoring system for the years 2018 and 2019 regarding the waste cycle, introducing information obligations for service operators and registry requirements.

Energy business

EU Energy Regulation: The Third Energy Package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions carried out by the European Commission. In 2009, the European institutions adopted several directives and regulations aimed at completing the liberalisation of both electricity and gas markets (the "**Third Energy Package**"). In particular, the Third Energy Package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States of the European Union may choose between the following three options:

- full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations;

- Independent System Operator ("**ISO**"). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations; and

- Independent Transmission Operator ("**ITO**"). This option is a variant of the ISO option under which vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The Third Energy Package also contains several measures aimed at enhancing consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers.

Finally, the Third Energy Package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the European Union.

As envisaged in the Third Energy Package, in March 2011 the Agency for the Cooperation of Energy Regulators ("**ACER**") began operations. ACER replaces and strengthens the European Regulators Group for Electricity and Gas ("**ERGEG**"). ACER coordinates the actions of the national regulatory authorities in the energy sector and its main responsibilities are:

- establishing and regulating the rules governing European electricity and gas networks;

- establishing and regulating the terms and conditions for access to (and operational security for) cross-border infrastructures where national authorities are in disagreement; and

- implementing the Ten-Year Network Development Plan ("**TYNDP**").

In Italy, the principles provided under the Third Energy Package (in particular, EU Directives 2009/72/EC, 2009/73/EC and 2008/92/EC), have been recently implemented by means of Legislative Decree No. 93 of 1 June 2011, published in the Official Gazette on 28 June 2011 (Legislative Decree 93/2011).

The main provisions of Legislative Decree 93/2011 include:

(i) unbundling of the Transmission System Operator (TSO). In the electricity sector, the unbundling between grid ownership and generation activity has been confirmed and the TSO is expressly prohibited from operating power generation plants. For the gas sector, an Independent Transmission Operator model has been adopted, with a vertically integrated ownership structure, more stringent functional separation rules and wider control and approval powers assigned to the ARERA;

(ii) integration of renewable energy sources generation into the electrical system more efficiently; and

(iii) exemption from the third party access ("TPA") obligation in respect of new interconnection infrastructure.

With reference to the electricity sector, the duration of the exemption from the TPA obligation (for a maximum of 50 per cent. or 80 per cent. of new capacity) will be set on a case-by-case basis and the exemption will elapse if the relevant works are not started or the relevant infrastructure has not entered into operation within the time limits set out in the relevant exemption measure. With reference to the gas sector, in addition to the time limit provided by the relevant exemption measure, the new rules provide for a 25 year cap for the duration of the exemption and for the activation of an open season procedure in order to assess the interest of third parties in the relevant infrastructure notwithstanding the TPA exemption.

Italian Energy Regulation

The Ministry for Economic Development ("**MED**") and the ARERA share the responsibility for overall supervision and regulation of the Italian electricity sector. In particular, the MED establishes the strategic guidelines for the electricity sector, while the ARERA regulates specific and technical matters. The ARERA, *inter alia*:

- sets electricity and gas distribution tariffs, as well as the price for previously regulated (or "captive") customers, which have not yet chosen a different supplier;

- formulates observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;

- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers

in cases where standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;

- protects the interests of customers, monitoring the conditions under which the services are provided, with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;

- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and

- reports to the Italian Antitrust Authority (the "**AGCM**") any suspected infringements of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

Furthermore, according to Legislative Decree 93/2011, the ARERA establishes rules aimed at:

- achieving the best quality level in the electricity and natural gas sectors;

- protecting vulnerable customers;

- removing obstacles that could prevent the access of new operators to the electricity and gas market.

In addition to regulation by the ARERA, the AGCM also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their suppliers.

Italian Electricity regulation

The regulatory framework for the Italian electricity sector has changed significantly in recent years due to the implementation of the previous European energy directives, including, in particular, Directive 2003/54/EC and Directive 2001/77/EC.

On 1 April 1999, Legislative Decree No. 79 dated 16 March 1999 (the "**Bersani Decree**") implementing Directive 96/92/EC, became effective in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by generators will eventually be determined by competitive bidding and provided for a gradual liberalisation of the electricity market so that customers whose annual consumption of electricity exceeds specified amounts ("**Eligible Customers**") will be able to contract freely with power generation companies, wholesalers or distributors to buy electricity.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduces competition in power generation and sales to Eligible Customers while maintaining a regulated monopoly structure for transmission, distribution and sales to Non-Eligible Customers. In particular, the Bersani Decree and the subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of generation, import, export, purchase and sale of electricity;

- as of 1 January 2003, provided that no company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;

- provided for the establishment of the *Acquirente Unico* (the "**Single Buyer**"), the company who shall stipulate and operate supply contracts in order to guarantee franchise clients the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as parity of treatment, including tariff treatment;

- provided for the creation of the "Power Exchange", a virtual marketplace in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, the Single Buyer and other participants in the free market, buy and sell electricity at prices determined through a competitive bidding process;

- provided for the creation of the entity that manages the Power Exchange (the "**Market Operator**" or "***Gestore del Mercato***"); and

- provided that the activities of transmission and dispatching are reserved exclusively to the State and attributed under concession to the operator of the national transmission grid, while the activity of distribution of electricity is performed under a concession regime under the authority of the Ministry of Productive Activities.

In addition, Law No. 290 of 27 October 2003 required the reunification of ownership and management of the transmission grid. Law No. 239 of 23 August 2004 (the "**Marzano Law**") reorganised certain aspects of the electricity market regulatory framework, including the limitation of the "captive market" to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

Law Decree No. 73/2007, as enacted into law through Law No. 125/2007, adopted urgent measures to place into effect EU market liberalisation requirements, including the following:

- a requirement for separating corporate functions into distribution, on the one hand, and electric energy sales, on the other;

- powers are assigned to the ARERA to adopt measures for the functional separation (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electric and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent; and

- as of 1 July 2007, domestic end users have the right to withdraw from their pre-existing electricity supply contracts according to the procedures established by the ARERA which allow them to select a different electricity provider. If the end user does not select a provider, domestic end users not supplied with energy on the open market are guaranteed supply by the distributor or the distributor's affiliate. The responsibility for supplying such clients remains with the Single Buyer, a company formed pursuant to Article 4 of the Bersani Decree.

For those end users that decide not to purchase electricity on the open market, the regulations provide as follows: (i) households and small businesses that have fewer than 50 employees, lower than Euro 10 million of turnover, and low levels of electricity consumption may access

a regulated market ("*servizio di maggior tutela*") for which the ARERA establishes the electricity tariffs; and (ii) all businesses not included among those described in the preceding point (i) have access only to the "safeguarded market" which guarantees the supply of electricity but typically at higher than market rates, to incentivise to this category of business to access the open markets.

A draft law on competition (the "**Competition DDL**") approved by the Government on 20 February 2015 provides for the definitive repeal of the "*servizio di maggior tutela"* from 1 January 2018. The Competition DDL has not yet been converted into law. ARERA is taking steps to terminate the regulated market pursuant to law 481/95 art. 2.2(h), which has granted ARERA the power to introduce resolutions on energy matters also from a contractual point of view. ARERA's aim is to obtain a completely free market without any price protection, even before the primary law intervention. The latest draft law of the Competition DDL sets the end date of the regulated market as at 30 June 2019.

The ARERA launched a consultation document containing the guidelines to the price protection reform procedure for end users but also this document has not still led to further developments.

At the date of this Base Prospectus, it is still unclear whether and when such draft law will be finally approved and whether the aforementioned timetable will be confirmed.

Electric Generation

Law Decree No. 34 of 31 March 2011 (the "***Omnibus* Decree**") liberalised the regime for electricity generation. In order to increase the level of competition in the market, the *Omnibus* Decree provided that, as of 1 January 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy.

Hydroelectric Generation

By way of Law Decree No. 83 of 22 June 2012 (the "**Development Decree**"), the Italian government issued certain regulations designed to facilitate the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provides that five years prior to the expiration of a large water concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment.

In addition, in relation to large water concessions which either have already expired or are due to expire earlier than 31 December 2017 (in relation to which the afore mentioned five-year limit would not be applicable), the new provisions have established a special transitional regime, under which the relevant tenders must be called within two years of the effective date of the implementing ministerial decree (as per Article 12, paragraph 2 of Legislative Decree No. 79 of 16 March 1999), and the new concession will start at the end of the fifth year following the original expiry date and in any case no later than 31 December 2017.

Article 37 of the Development Decree further establishes that the out-going concession holder has to transfer any new concession holder its relevant division. The consideration to be paid to the concession to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority, to be expressly indicated in the tender notice. In order to compensate the out-going concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the re-valued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. If no agreement can be reached between the out-going concessionaire and the granting administration on the amount of the consideration, such amount shall be established by means of an arbitration procedure.

Promotion of Renewable Resources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation 6/1992 ("**CIP-6**"), which established incentives for new generation plants using renewable resources and for the sale of electricity produced from renewable resources. In November 2000, the MED issued a decree that transferred all energy produced from renewable resources under the CIP-6 regime to the Electricity Services Operator as of 1 January 2001.

Under current regulations, an electricity services operator is required to purchase all CIP-6 electricity generated by the CIP-6 producers in order to resell it to Eligible Customers and, since 2004, also to the Single Buyer. The Electricity Services Operator sells the so-called green certificates representing electricity from renewable resources purchased from CIP-6 producers ("**Green Certificates**").

The Bersani Decree provided that, starting in 2001, all companies producing or importing more than 100 GWh of electricity generated from conventional sources into the national transmission grid in any year must, in the following year, introduce into the national transmission grid an amount of electricity produced from newly qualified renewable resources (the "**Renewable Obligation**"), initially equal to at least 2 per cent. of the amount of such excess over 100 GWh, net of co-generation, self-consumption and exports (the "**Green Certificates Quota**" – that is, the amount of renewable energy such companies are required to produce). Electricity from renewable resources may be produced directly or purchased from other producers who have obtained tradable Green Certificates representing a fixed amount of electricity certified as generated from renewable resources.

On 6 April 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from the renewable resources.

The main objective of the directive is the achievement of a 20 per cent. share of energy from renewable resources in the EU's final consumption of energy by 2020. In light of this objective, for the first time, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been set at 17 per cent. in comparison to the 5.2 per cent. it had been assigned in 2005. Pursuant to EU Directive No. 2009/28/EC and to the statutory criteria of Law No. 96/2010, in March 2011, the Legislative Decree No. 28/2011 on the development of renewable sources was passed. The Decree defines tools, technicalities and the criteria the incentives regime must be based on in order to achieve the 2020 renewables objectives. The incentive regime for the production of

energy from renewable sources is currently governed by two Ministerial Decrees dated 5 and 6 July 2012 (the first fixes the feed-in tariffs for energy produced by photovoltaic plants and the second ruling governs incentives for energy produced by renewable sources other than solar power).

Amendments to Regulations Governing Green Certificates

In addition to (i) providing for an annual increase (0.75 per cent.) for the years 2007 to 2012 in the obligation to generate/import electricity from renewable resources as a percentage of the conventional electricity generated/imported in the preceding year and produced by conventional sources, (ii) establishing the incompatibility of the Green Certificate system with other incentives regimes and (iii) fixing the validity period of the Green Certificates in 15 years, Law No. 244/2007 (the so-called "Budget Law for 2008"), with reference to power plants coming in line after 31 December 2007, updated the rules on Green Certificates and reintroduced a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable resources by certain small power plants.

Legislative Decree No. 28/2011 subsequently revised the matter, decreasing the percentages of obligations (the "**Green Certificates Quota**" – that is, the amount of renewable energy such companies are required to produce) linearly until 2015, set as the expiry date of the Green Certificates system.

The updated Green Certificate rules provided under the Budget Law for 2008 and Legislative Decree No. 28/2011:

- differentiate recognised Green Certificates by source using co-efficients that are adjusted every three years;

- calculate the price of Green Certificates issued by the Electricity Services Operator (pursuant to Article 11(3) of the Bersani Decree) as the difference between Euro 180/MWh (value updated every three years) and the average annual price of electricity as established by the ARERA; and

- provide that, until the relevant national target set by the European Union has been met, at the request of the generator, the Electricity Services Operator can withdraw any Green Certificates (expiring that year) in excess in respect of those needed to meet the relevant obligation.

The above-mentioned MED Decree issued on 6 July 2012 pursuant to Legislative Decree No. 28/2011 defines new rules to access the incentive system from January 2013, as well as the related transitional system. In particular, with the aim of supporting electricity production from renewable sources, the Ministerial Decree of 6 July 2012 defines new incentives applicable to the production of electricity from sources such as wind, water, geothermal, biomass, biogas and bioliquids. The Decree is applicable to plants which: are new, fully rebuilt, re-activated, have been subject to an enhancement in power or have been refurbished, have a power output of at least 1 kW and that start operating (*i.e.* are connected in parallel to the electric system) after 31 December 2012.

Photovoltaic power plants

Photovoltaic solar plants benefit from a feed-in premium tariff on top of the price of the electricity generated (the so called "**Conto Energia**"). The Conto Energia has been regulated in previous years by several ministerial decrees (so-called "**First, Second, Third and Fourth *Conto Energia***"). Currently, the incentive regime applying to solar plants is provided for by ministerial decree dated 5 July 2012 (so-called "**Fifth *Conto Energia***"). The feed-in tariffs set forth under the Fifth Conto have a comprehensive nature, including both the incentive component and the remuneration of the electricity produced.

GSE S.p.A. (*i.e.*, a state-owned company which promotes and supports renewable energy sources in Italy, "**GSE**") is entitled to conduct inspections on the plants and to revoke the incentives in case of discrepancy between the documentation and design submitted to the GSE within the application for incentives and the works realised as well as in case of false statements rendered by the operator to the GSE in order to achieve the incentives.

CO2 Emissions

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the "**Emissions Trading Directive**") establishing a scheme for greenhouse gas emission allowance trading. In October 2004, the EU also passed another directive, Directive 2004/101/EC (the "**Linking Directive**"), amending the Emissions Trading Directive to allow further flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive have been implemented in Italy by Legislative Decree No. 216/2006.

Pursuant to the aforementioned European Directives, the power generation sector in Europe is required to participate in the European Union Emissions Trading System, a market-based system for reducing greenhouse gas emissions Operators are expected to reduce their emissions by 21 per cent. by 2020. On 1 January 2013, the third phase of implementation of the aforementioned Directives, to take place between 2013 and 2020, began. This phase envisages a series of major changes introduced by Directive 2009/29/EC and subsequent regulations in order to improve the efficiency, transparency and effectiveness of the system.

The main change regards the method for allocating emissions allowances. The free allocation of allowances will gradually be replaced by an auction system. The power generation sector will be required to purchase 100 per cent. of its allowances through auctions as from January 2020. During the final months of 2012, 120 million phase three allowances were sold through "early auctions". The allowances pertaining to Italy, Spain and Slovakia represent 9.4 per cent., 8.4 per cent. and 1.5 per cent., respectively, of the total allowances available at the European level for phase three. The proceeds of the auctions are managed by the Member States, which must, however, use at least 50 per cent. of the revenues to finance projects involving low carbon technologies (CO2 capture and storage, renewable resources, etc.). Another major innovation is the monetization of the allowances in the NER 300 (a financing instrument managed jointly by the European Commission, European Investment Bank and Member States) reserve by the European Investment Bank, the proceeds of which will be used to finance pilot projects in the innovative renewable resources field and in CO2 capture and storage technologies. The allowances (300 million European Union Allowances ("**EUA**"), *i.e.* the quotas allocated by the national allocation Plans within the EU Emission Trading Scheme ("**ETS**")) will be sold on the OTC market, regulated exchanges and through auctions. The sale of the first 200 million allowances was completed in November 2012. The remaining 100 million will be monetized subsequently by the European Investment Bank.

In response to the excess supply of allowances on the ETS market, the European Commission decided to postpone the sale of a portion of allowances to be auctioned to the end of the third phase in order to reduce short-term supply (the backloading option) and to set a structural reform of ETS in the long term. The European Parliament and Council were asked to amend the EU ETS Directive to formally enable the Commission to take such a step. On 10 December 2013 the European Parliament approved the proposal to amend the EU ETS Directive in order to clarify the power of intervention of the European Commission and to allow the provisional retirement of 900 million quotas from CO2 allowances. The European Council expressed on 16 December 2013 its approval adopting this amendment. Following this, the Committee for Climate Change approved on 8 January 2014 the backloading option for the provisional retirement of quotas for 2014-2016. The proposal is being examined by the European Parliament and Council.

Wholesale market

The Power Exchange is a marketplace for the spot trading of electricity between producers and consumers under the management of the Electricity Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market at the system marginal price defined by hourly auctions. Alternatively they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the Power Exchange Market is the Single Buyer, a company the sole quota holder of which is the Electricity Services Operator which is wholly-owned by the Italian State. The Single Buyer has the goal of ensuring continuous, secure, efficient and competitively-priced electricity supply to clients remaining in the "Universal Service" regime (consisting, since 1 July 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalisation process. The Single Buyer is the largest wholesaler in the market, purchasing about 30 per cent. of the total national demand. The Single Buyer purchases electricity on the Power Exchange Market through bilateral contracts (including contracts for differences) with producers, and imports electricity.

The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equal the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the ARERA adjusts reference prices from time to time to reflect the ones actually paid by the Single Buyer, as well as other factors.

Other participants in the Power Exchange Market are producers, integrated operators, wholesalers and some large electricity users. The ARERA and AGCM constantly monitor the Power Exchange to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

The electricity generated can be sold wholesale on the organized spot market ("**IPEX**"), managed by the Energy Markets Operator ("**EMO**"), and through organized and over-the-counter platforms for trading forward contracts. The organized platforms include the Forward Electricity Market ("**FEM**"), managed by the EMO, in which forward electricity contracts with physical delivery are traded, and the Electricity Derivatives Market ("**IDEX**"), managed by *Borsa Italiana*, where special derivative instruments with electricity as the underlying asset are traded.

Generators may also sell electricity to companies engaged in energy trading, to wholesalers that buy electricity for resale at a retail level, and to the Single Buyer, whose duty is to ensure the supply of energy to enhanced protection service customers.

In addition, for the purpose of providing dispatching services, which is the efficient management of the flow of electricity on the grid to ensure that deliveries and withdrawals are balanced, electricity generated may be sold on a dedicated market, the Ancillary Services Market ("**ASM**"), where Terna S.p.A. ("**Terna**") procures the required resources from producers. The ARERA and the Ministry for Economic Development are responsible for regulating the electricity market. More specifically, with regard to dispatching services, the ARERA has adopted a number of measures regulating plants essential to the security of the electrical system. These plants are deemed essential based on their geographical location, their technical features and their importance to the solution of certain critical grid issues by Terna. In exchange for being required to have electricity available and providing binding offers, these plants receive special remuneration determined by the ARERA. Since the launch of the market in 2004, the regulations have provided for a form of administered compensation for generation capacity. In particular, plants that make their capacity available for certain periods of the year when demand is typically high receive a special fee.

In August 2011, the ARERA published a resolution that establishes the criteria for introducing a market mechanism for compensating generation capacity that replaces the current administered reimbursement. This mechanism involves holding auctions through which Terna will purchase from generators the capacity required to ensure that the electricity system is adequately supplied in the coming years. The initial auctions will be held in 2013, with producers agreeing to make their capacity available starting from 2017.

In order to cope with emergencies in the gas system, such as the one that occurred between 6 February 2012 and 16 February 2012, Decree Law 83/2012, ratified by Law 134 of 7 August 2012, required the identification, on an annual basis from the 2012-2013 gas year, of thermal generation plants that can contribute to the security of the system by using fuels other than gas. Such plants, which are different from those essential to the electrical system, are entitled to reimbursement of the costs incurred in ensuring availability in the period from January 1 to March 31 of each gas year on the basis of the procedures established by the ARERA.

Distribution

The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the former Ministry of Industry (now the MED). The current distribution companies will continue to perform that service on the basis of concessions issued by the Ministry of Industry in 2001, expiring on 31 December 2030.

The distribution companies are required to connect to their networks all parties who request connection, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions.

Moreover, the ARERA set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

Efficiency in the end usage of energy

The distribution companies of electricity are required by Decree Bersani to undertake energy efficiency measures for the final user that are in line with pre-defined quantity targets fixed by ministerial decree. The companies that achieve such energy saving targets are entitled to receive, from the regulator of the electricity market, the Energy Efficiency Certificates ("**TEE**"), also called "*White Certificates*", (i.e. an incentive mechanism to save energy, into force starting from 1 January 2005) and to sell such certificates, by means of bilateral contracts or on a specific market instituted and regulated by GSE in agreement with the ARERA, to (other) companies who cannot meet their targets.

The foregoing incentive mechanism was regulated by certain Decrees of 20 July 2004, subsequently amended and updated in 2007, which set national energy savings targets for the period 2005-2012. The targets must be achieved each year by distribution companies.

To demonstrate that they have achieved their targets and avoid penalties, distributors must deliver a number of certificates at least equal to a specified percentage of their requirement to the ARERA by May 31 of each year.

The ARERA covers part of the costs incurred to achieve the target through a rate subsidy that in 2012 was equal to Euro 86.98 per toe (Ton Oil Equivalent) for each certificate delivered.

Through its Decree of 28 December 2012, the MED set new and rising energy savings targets for the 2013-2016 period.

In addition, for the 2013-2014 period, only the minimum percentage achievement obligation has been reduced from 60 per cent. to 50 per cent. The Ministry established that the residual obligation can be covered over the subsequent two years (rather than in the following year, as provided for under the previous Decrees).

The Decree also re-modulated the criteria that the ARERA must apply in determining the rate subsidy.

Furthermore, through its decree of 28 December 2012, implementing Legislative Decree 28/2011, the Ministry for Economic Development introduced specific incentives to promote the production of thermal energy from renewable resources, as well as small scale energy efficiency initiatives.

The incentives, for which both government entities and private parties are eligible, are paid by the GSE in equal annual instalments for a maximum of five years. Eligible projects include improvements to the building envelope (government entities only) as well as the installation of heat pumps, thermal solar collectors and electric heat pump water heaters. Access to the incentives requires meeting certain minimum requirements, broken down by type of intervention.

The decree also charges the ARERA with specifying rates for the use of electric heat pumps with a view to encouraging energy efficiency and the reduction of polluting emissions.

After more than two years of waiting, finally, in April 2017, the new decree on the White Certificates came into force, implementing the provisions of Legislative Decree No. 28 of 3 March 2011 and Decree Law No. 102 of 4 July 2014. According to the decree, the national objectives to be achieved in the period 2017-2020 through the mechanism of the White Certificates and the White CAR Certificates are the following:

- 7.14 million TEP of primary energy in 2017;
- 8.23 million TEP of primary energy in 2018;
- 9.71 million TEP of primary energy in 2019;
- 11.19 million TEP of primary energy in 2020.

The goals for after 2020 will have to be defined by an interministerial decree to be issued by 31 December 2019. The 2017-2020 objectives can be achieved through:

- the interventions associated with the issue of White Certificates during the reference period;
- energy savings from high efficiency cogeneration (CAR) associated with the issue of White Certificates during the reference period (excluding those withdrawn by the GSE);
- efficiency measures carried out within the Ministerial Decree No. 106 of 20 May 2015, concerning the regulation for the tender criteria and for the evaluation of the offer for the assignment of the natural gas distribution service and associated with the issue of White Certificates during the reference period;
- interventions already facilitated under the White Certificates mechanism which, even after the end of the useful life, continue to generate savings.

These are the main new features introduced:

- abolition of the analytical evaluation method: the decree provides only a new final method (called PC) and a new standardized method (called PS);
- new definition of baseline and additionality concepts;
- the minimum size of the projects is different: the standardized projects must have generated, during the first 12 months of the monitoring period, an additional savings share of no less than 5 TEPs. While the final projects must have generated, during the first 12 months of the monitoring period, an additional savings share of not less than 10 TOE;
- the delivery of the White Certificates is carried out on the basis of the actual reporting of the savings for a maximum of years equal to the useful life (U). Table 1 of Annex 3 to the decree contains a non-exhaustive list of the types of eligible projects and the related useful life values, distinguished by the form of energy saved;
- the type of Certificates returns to be of four types: Type I, II, III, and IV securities. The Type II-CAR, Type V, Type IN and Type E.

ARERA has been called several times in the course of 2017 and 2018 to intervene, initially for the application of the new legislative provisions and, downstream of the important implications on the market in terms of price increase, with revisions of the regulation to help regaining the balance.

a) Resolution 435/2017/R/Efr - Definition of the tariff contribution to cover costs incurred by the electricity and natural gas distributors subject to the obligations within the framework of the mechanism of energy efficiency certificates

The resolution to revise the rules for determining the tariff contribution granted to electricity distributors satisfying the energy saving obligations in the framework of the energy efficiency certificates (TEE) mechanism, for the years of obligation from 2017. In more detail:

- the so-called relevant session reference price determined by the average price, weighted according to the amount of the transactions performed in each session and concluded at a price within a range of ±12% compared to the relevant reference price of the previous session has been introduced, to determine the contribution;

- the reference contribution has been defined (formerly estimated contribution) taking into account the weighted average (on market transaction volumes and concluded through bilateral agreements) of the last two final contributions, providing a temporary one for the year of obligation 2017, which is why a higher weighting has been given to the 2016 final contribution compared to that of 2015;

- the parameters that constitute the k coefficient have been changed, which is applied to the difference between the reference contribution and the trade prices on the market;

- the tariff contribution to be provided on the occasion of the new annual expiry date for achieving the objectives by 30 November of each year has been defined, proceeding with the provision in advance based on the final contribution of the previous year, to apply to a limited target amount for each distributor (40% of the specific target for the year of the obligation and 75% of the residual amount of targets for previous years of obligation);

- the absence of limits to retaining TEEs in owned accounts has been confirmed, without envisaging an expiry date for them.

With regard to the application of the accruals basis, initially introduced from the year of obligation 2017, it has been postponed with subsequent measure **634/2017/R/efr** of 15 September 2017:

- as regards certificates relating to remaining targets for the year of obligation 2017, the previous cash basis applies;

- as regards, on the other hand, certificates relating to the remaining targets for the years of obligation between 2018 and 2020, the accruals basis will only apply to portions of them, gradually and uniformly increasing in time.

The number of certificates to which the accruals basis apply will be quantified by the application of the parameter (0.25, 0.5 and 0.75 respectively) to certificates delivered by distributors subject to the obligations to apply to compensation for previous years of obligation. For certificates relating to the remaining portions of each remainder, the cash basis will apply instead.

The full application of the accruals basis will only be reached with reference to the remaining targets for the years of obligation subsequent to 2020.

Given that e-distribuzione has proposed an extraordinary appeal to the President of the Republic against Resolution 435/2017/R/efr, notified to ARERA on 11 October 2017, with Resolution707/2017/C/efr of 26 October 2017, the Authority has therefore decided to propose objecting to said appeal.

The difficult conditions that occurred in the market for energy efficiency certificates in 2017 and at the beginning of 2018, despite the various interventions by ARERA, led the MiSE to draw up a draft decree replacing the decree of 11 January 2017. The new decree, still awaiting publication, received a positive opinion from ARERA on the condition of some changes related to the determination of the tariff contribution, TEE not deriving from the projects, final debits to customers, information on GME (Opinion 265/2018/I/EFR).

The Tariff structure for transmission, distribution and metering

The ARERA established a tariff regime that came into effect on 1 January 2000. This regime replaced the "cost-plus" system for tariffs with a new "price-cap" tariff methodology. The price-cap mechanism sets a limit on annual tariff increases corresponding to the difference between the target inflation rate and the increased productivity attainable by the service provider, along with any other factors allowed for in the tariff, such as quality improvements. Under the price-cap methodology, tariffs will be reduced by a fixed percentage each year encouraging regulated operators to improve efficiency and gradually passing savings onto end customers.

By way of Resolution ARG/elt no. 199/11, the ARERA adopted the consolidated text of provisions to regulate the transmission and distribution of electricity ("**TIT**") and the consolidated text of provisions regulating the supply of the Electricity Metering Service ("**TIME**") for the fourth regulatory period (2012-2015).

In relation solely to the tariff adjustment for metering services, variations with respect to the previous regulatory period were included in the return on invested capital (set at 7.6 per cent. per annum), in the value of the X-factor (the coefficient of recovery for efficiency imposed by the regulator, set at 7.1 per cent. per annum) and also in revenue equalization for low voltage metering services. With reference to the distribution service, many of the tariff regulation schemes already in force during the previous regulatory period were maintained, in particular:

- the adoption of tariff decoupling, which requires a mandatory tariff to be applied to end users and a reference tariff for the definition of revenue restrictions, specific by operator calculated on the basis of the number of users ("**PoD**");

- the application of the profit-sharing method for the definition of initial operating cost levels to be recognized in the tariff;

- the updating of the tariff quota covering operating costs through the price-cap method, setting the annual objective for increased productivity (X-factor) at 2.8 per cent. for distribution activities;

- the evaluation of invested capital using the re-valued historical cost method;

- the definition of the rate of return on invested capital through weighted average cost of capital ("WACC") (the rate set for 2015-2016 is 6.4 per cent. for investments made up to

December 31, 2011; as to the investments made starting from 2012, the relevant rate of return on invested capital has been increased by 1.0 per cent.; and

- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

The rules envisage incentives, using differentiated WACCs (+1.5/+2.0 per cent.) and for a minimum of eight years to a maximum of twelve, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, renewal and strengthening of the medium voltage networks in the historic centres, energy storage.

At the end of 2014, ARERA commenced a process of updating the calculation methodology of the WACC for the regulatory period starting from 2016. According to the guidelines expressed in the document commencing the process, ARERA would introduce certain periodical adjustment mechanisms related to the so-called exogenous shocks contributing to the determination of the rate of return on the invested capital, such as risk free rate and inflation, while specifically fixing the remaining variables (so-called endogenous shocks, such as the industry system risk and the Debt-to-Equity ratio) for each regulated segment.

In 2015, a large number of resolutions were approved resulting in the revision of the current legislation on the tariffs of transmission, distribution and metering of electricity for the period 2016-2023.

Resolution 654/2015/R/eel – Tariff regulation on electricity transmission, distribution and metering services, for the regulation period 2016-2023.

The resolution approves the "Consolidated Code on rules and regulations for electricity distribution and transmission services" (TIT), the "Consolidated Code on rules and regulations for electricity metering services" (TIME) and the "Consolidated Code on economic terms for the provision of connection services" (TIC), coming into effect from 1 January 2016.

In particular, the new rules and regulations for calculating tariffs in the new regulatory period, the result of a complex consultation process with the publication of numerous documents (including 5/2015/R/eel; 335/2015/R/eel; 446/2015/R/eel and 544/2015/R/eel):

- extended the duration of the period to 8 years (2016-2023), divided into two half-periods of 4 years each: NPR1 (2016-2019) and NPR2 (2020-2023);
- define the criteria for calculating the recognised cost (operating, capital and depreciation);
- provided for the new fee structure.

In particular, with reference to the transmission tariff, the ARERA:

- introduced the binomial cost tariff structure for the transmission service (CTR) applied by Terna to distributors at the interconnection points with an energy component and a power component calculated using the average maximum monthly power withdrawn from interconnection points as a driver, considering only the net energy withdrawn from the national grid (RTN);

- confirmed the same structure, in force also in the last regulatory period, for the TRAS tariff applied by distributors to end users;

- the equalisation mechanism of transmission costs based on the recognition of higher costs for the distributor, deriving from the difference between the above-mentioned fees, has been reintroduced.

Concerning the tariff of reference TV1(dis), allocated to cover distribution and marketing costs, the ARERA confirms the application of a monomial fee, on the basis of the number of withdrawal points, and therefore independent of the service volumes supplied, differentiated by voltage levels, except for types of contracts for public lighting users and public LV electric vehicle recharging, the fee of which is based on a tariff expressed in euro cents/kWh.

There is no structural change to the obligatory distribution tariff applied to non-domestic end users, nor to the equalisation mechanism of distribution revenues (inclusive of bi-monthly advance payments).

With reference to the regulation of the metering service, as well as defining the criteria for calculating the recognised cost and the remuneration tariffs of distributors providing the service, the measure also requires that:

- the obligation of data gathering is introduced for the subject responsible for measuring the actual peak demand in the month divided into bands, when possible for that meter;

- further in-depth considerations are made concerning the hypothesis of evolution of the metering service regulation, with the aim of defining the general reform by July 2016.

Finally, there are no significant changes in terms of procedure to the rules and regulations on connections

Resolution 583/2015/R/com – Rate of return on net invested capital for infrastructure services in the electricity and gas sectors: criteria for calculating and updating.

The resolution defines the procedure for calculating and updating the rate of return on net invested capital (weighted average cost of capital or "**WACC**") for regulated infrastructure services, unifying all the calculation parameters except for those specifically for single services, including parameter ß which expresses the specific non-diversifiable risk level and the weight of the equity capital and interest-bearing debt used for weighting (D/E ratio).

The revision of the procedure aims to define a more transparent and predictable regulatory framework and prevent differences in the rates of return of single services being affected by the specific condition of Italian financial markets. The weighted average cost of capital formula is still used as reference but some changes in their components have been introduced. In particular, for the determination of the risk-free rate of return (risk-free rate, RF), it has been replaced the previous references to the Italian market (BPT to 10 years) with references choosen among the European countries with high ratings (government bonds to 10 years - Germany, Belgium, the Netherlands and France) considered at "zero risk" level compared with Italy. The risk-free rate, as defined above, is adjusted by introducing a new component called "Country Risk Premium" (CRP) that represents an additional rate to cover the risk factors of the Italian market compared to the best European Countries financial performers: this addendum is related to both equity and debt components of the WACC. With regard to the rate

of return on equity, the choice of the regulator is to recalculate this indicator as difference between the "Total Market Return" and the Risk Free Rate considering the inversely proportional correspondence between the two indicators. The cost of debt is revised downward in consideration of changes in its individual components as mainly Risk Free Rate.

The duration of the WACC regulatory period is six years (2016-2021), introducing an intra-period updating mechanism. The measure therefore indicates the formula to be used in the calculation and the specific values of the basic parameters in force as at 1 January 2016, except for parameter ß for the electricity sector, established by a subsequent regulation (Resolution 654/2015/R/eel – Annex D).

At the end of 2018 and for the second half of the WACC regulatory period of electrical and gas, certain parameters (such as the Risk Free Rate and the Country Risk Premium) will have to be reviewed ahead of the revision of the tariffs for the period 2019-2022.

Resolution 639/2018/R/COM – update of the remuneration rate of the invested capital for infrastructural services of the electric and gas sectors, for the years 2019-2021

With Resolution 639/2018 / R / COM of 6 December 2018, ARERA updates the values of the parameters for calculating the rate of return on net invested capital (WACC) for the three-year period 2019-2021, setting a value of 5.9% for the distribution service.

Resolution 646/2015/R/eel – Consolidated Code on the output-based regulation of electricity distribution and metering services, for the regulation period 2016-2023.

The resolution approves the "Consolidated Code on the output-based regulation of electricity distribution and metering services, for the regulation period 2016-2023" (TIQE), in force from 1 January 2016.

The text, the result of a complex consultation process, contains four separate documents (5/2015/R/eel; 48/2015/R/eel; 415/2015/R/eel and 544/2015/R/eel), in III parts:

I. Regulation of the continuity of the distribution service and voltage quality. These are the main elements that have been introduced:

(a) for the duration of the outages:

- the mechanism of bonuses/penalties on the duration of the outages has been kept, introducing an allowance of ±10per cent. on the objective value;
- experimental incentive regulation for the 3-year period 2017-2019 on the duration of the outage with prior warning, of a medium and low voltage origin (measure to be adopted by 30 June 2016);
- progressive alignment of the standards on prolonged outages to that in force today for city centres: from 2020 eight hours for all low voltage users and 4 hours for all medium voltage users;

(b) for the number of outages without long or short-term warning: confirmation of the bonuses/penalties regulation with long-term objectives transferred to the end of the new regulatory period for long-term objectives;

(c) on the subject of voltage quality, the foundations were laid for introducing a specific standard on transient outages and loss of voltage for medium voltage customers and for new initiatives concerning the conformity of the effective supply voltage value for low voltage users.

II. Regulation of specific and general commercial quality levels. These are the main elements that have been introduced:

(a) reduction of maximum response times for services requested by end users concerning the estimation and performance of work;

(b) development of fast estimate services (via telephone, managed by seller);

(c) introduction of some basic criteria for drawing up agreements between distributors and applicants for mass connection and activations.

III. Selective promotion of investments for distribution networks. This part aims to create incentives for the appropriate development of investments in distribution networks, providing guidelines for the choices made by enterprises for investments that maximize net system benefits, through output-based incentives mechanisms, developed on the basis of criteria of selectivity.

In particular, aspects are considered that represent the main innovative elements of the new rules and regulations, concerning both the innovative functions of the medium voltage distribution networks in areas with a high penetration of energy generated from renewable sources, as well as the evolution of distribution networks in urban areas, with particular reference to the development of the capacities of backbones in buildings.

With reference to the Regulation for the tariff settlement of the end user market, two relevant determinations were issued.

Resolution 582/2015/R/eel – Reform of network tariffs and tariff components covering general system charges for domestic electricity users. Concomitant update of cost compensation for domestic customers in conditions of economic hardship.

The resolution concludes the tariff reform process for network services and general system charges for domestic LV users, as provided for by Legislative Decree 102/14 which provides for the gradual replacement of the current progressive price structure, characterized by a unit rate that increases as electricity withdrawals increase.

In coherence with the provisions of the same decree, the ARERA requires that:

(a) the current bracketed structure will remain in force for all of 2016 but, for the tariffs of transmission, distribution and metering services only, the rates will be recalculated to reduce the amount of the cross-subsidy in force today between low consumption resident customers and non-resident customers who consume more energy, by at least 25per cent.;

(b) from 1 January 2017, however:

- the network tariff will become non-progressive and it will be the same for all domestic customers, structured as a flat rate (€/POD/year) for metering and

marketing, in a power rate (€/kW/year) for distribution and an energy rate (€/kWh) for transmission;

- the fees covering general system charges will be redefined to limit the number of annual consumption brackets to two;
- finally, from 1 January 2018 the progressive structure of the components covering general system charges will also be replaced.

Concerning the actions planned in previous consultations, aimed at promoting a more attentive use of the contractual demand by customers, the ARERA requires that, starting 1 January 2017:

(a) contractual demand levels that are higher than those current used will be introduced;

(b) when the regulations of the above letter come into force, for a period of at least 24 months, the amount of connection contributions and flat rates the customer pays the distributor for remote changes to power demand, without the need for action to be taken on-site will be reduced. Concerning the experimental tariff for domestic customers using electric heat pumps as their main source of heating their homes, the ARERA passed a resolution to extend the deadline for the customers to submit the applications to 31 December 2016, as a consequence requiring that also the monitoring of consumption and the relevant transmission of data by distributors must be done by 28 February 2017 (with reference to the information gathered as at 31 December 2016). There will be further consultation to consider the possibility of including other domestic customers in the experiment.

As for the social bonus, by 31 December 2015, cost compensation to apply in 2016 will be calculated, to prevent the introduction of the tariff reform making the situation worse for customers suffering from economic hardship.

Resolution 659/2015/R/eel – Updating of prices and electricity marketing components (PCV, RCV and DISPbt) and changes to TIV.

After the consultation process promoted by Resolution No. 514/2015/R/eel, on 28 December 2015 the ARERA published the resolution updating the values of electricity marketing components in force from 1 January 2016, in other words the PCV, RCV and DISPbt components. In consideration of the proposals in the Consultation Pa per, the Authority:

(a) when defining PCV levels, aligned cost values related to acquiring customers and marketing with those identified within the scope of the definition of the QVD component and reduced the number of days of average exposure, resulting in a slight increase in the values of the PCV fee compared to what was expected in the consultation paper;

(b) in relation to the RCV component, it introduced further differentiation of the components in order to consider the effect of size, estimating a value (RCV) for separate companies supplying over 10 million withdrawal points for end users, and a value (RCVsm) for other separate companies. The unpaid ratio levels recognised for the protected categories market are lower than those in the consultation paper.

This reduction was requested by the Regulating Authority to further promote operator efficiency in terms of managing all phases of customer relations;

(a) required, not only for 2015 but also for 2014, the introduction of a transitional mechanism to cover operating costs other than arrearage, which considers the so-called size effect; protected categories market operators who supply over 10 million withdrawal points and meet certain requirements will have access to said mechanism; in order to have recourse to this mechanism, an application to participate in the Electricity Sector Equalisation Fund must have been submitted by 15 October 2016;

(b) for 2015, confirmed the mechanism to compensate for arrearage, already provided for transitionally by article 16ter of the Retail Service Code for 2014, for protected categories market operators who supply over 10 million withdrawal points and meet certain requirements. In order to apply for the mechanism, a specific application must have been submitted to the Fund by 30 April 2016. Furthermore, the Authority also published the compensation values for application of the mechanism with reference to 2016, lower than those estimated for 2015, to promote greater efficiency in credit management;

(c) revised the level of the DISPbt component in order to consider customers leaving the protected categories market and, for domestic customers, in coherence with the differentiation of fees for the distribution service for the consumption brackets referred to in resolution No. 654/2015/R/eel;

(d) required the annual revision of PCV and RCV values, coming into effect from 1 January of the year of reference. In particular, with reference to the protected categories market, any costs as a consequence of the introduction of debranding measures will be considered, to calculate the recognised cost, on the condition that said higher costs must be reported in the books;

(e) referred the regulation of a specific equalisation mechanism to guarantee the potential risk involved in failure to cover fixed costs when an end user leaves the protected categories market, to be applied from 2016, to a subsequent measure.

On 26 February 2016 Acea Energia filed an appeal with the Administrative Court of Lombardy against said resolution requesting the cancellation of the part of the resolution that refers to setting up a specific equalisation mechanism to guarantee the potential risk involved in failure to cover fixed costs when an end user leaves the protected categories market, to be applied from 2016, to a subsequent measure. Acea Energia, in fact, observed that said equalisation mechanism should not be applied only to 2016, but should also be applied to previous years, as the phenomenon of customers leaving the protected categories market ("volume effect") is a structural part of the implementation of said service. The protected categories market in fact, is configured as an essential "residual" service from which customers gradually, from the implementation of the same, leave and continue to do so, because they are naturally attracted by commercial offers from the free market.

According to Acea Energia therefore, the volume effect does not only affect 2016, as once ascertained the same can be recognised also for previous years.

What’s more, Acea Energia observed that the ARERA, in the same resolution No. 659/2015/R/eel, recognised the existence of a "size effect", in other words the presence of economies of scale, typical of the dominant operator (Enel) thanks to its greater size compared to municipal protected categories market operators, which is also structural in terms of the

implementation of the protected categories market service: said effect was recognised for 2016 and retrospectively, for 2014 and 2015.

Also by analogy with said provision therefore, in its appeal Acea Energia requested that the equalisation mechanism for failure to cover fixed costs when an end user leaves the protected categories market be applied from 2014, to protect the economic-financial balance of the Company, which had already been negatively affected in the past as the RCV component did not include the volume effect.

Resolution 927/2017/R/EEL - Update of the RCV and DISPbt components relating to the sale of electricity. Modifications to the TIV. Further provisions for populations affected by the earthquakes that occurred on 24 August 2016 and in the following days

With Resolution 927/2017/R/eel of 28 December 2017, the Authority published the updated RCV and DISPbt components for 2018, following criteria and methodologies already applied in the previous year.

As regards the RCV (Centre-South territorial area) there was a decrease in the recognised value for domestic points (from 4,345.30 to 4,076.76 €c/grid point) and an increase in the recognised value for points relating to other uses (from 12,536.55 to 14.623,02 €c/grid point) based on an unpaid Centre-South ratio which, compared to last year, is down for domestic customers from 1.0893% to 1.0762% and an increase for other uses from 3.1250% to 3.8664%.

With respect to the compensation of arrears mechanism (Centre-South territorial area) the value has fallen for domestic points (from 884.17 to 825.06 €c/grid point) and increased for points relating to other uses (from 5,873.78 to 8,082.69 €c/grid point); for the purposes of admission to this mechanism, the minimum unpaid ratio value for domestic points has fallen to 1.12% while for points relating to other uses it has risen to 5.13%.

Compared to 2017, the DISPBT has gone from -2,314.50 to -2,298.86 €c/grid point for domestic resident points and from -1,484.30 to -1,468.70 €c/grid point for non-domestic resident points, while going from -434.37 to -187.55 €c/grid point for points relating to other uses; the DISPBT component is also applied to energy amount for resident domestic customers only with values differentiated by consumption bands *i.e.* 0.269 €/kWh (from 0.272 in 2017) for the consumption band of less than 1,800 kWh/year and 0.619 €/kWh (from 0.583 in 2017) for the consumption band over 1,800 kWh/year. With respect to the incentive mechanism for increased dissemination of electronic bills, the Authority has on the other hand confirmed the last year's values.

With Resolution 188/2018/R/EEL, in addition to updating the economic conditions of electricity sales as part of the enhanced protection service for the quarter 1 April - 30 June 2018, the Authority also updated the DISPBT component with effect from 1 April 2018 in order to take into account the structure of the tariff components for resident domestic customers to cover the general system charges in force from the same date.

With subsequent resolution 364/2018/R/EEL, with effect from 1 July 2018 the Authority confirmed the value of the PCV fee already in force in the period from 1 January 2017 to 30 June 2018 (Resolution 633/2016/R/EEL) waiting to update it after completing the PCV data collections that would be available starting from September 2018.

With Resolution 706/2018/R/EEL, the Authority published the PCV, RCV and DISPBT components updated for 2019. With regard to the RCVsm (specific for operators other than the incumbent) for the Central South territorial area, there was a particular decrease for all types of customers and in particular for other uses, where the component dropped to 1,629.87 €c/pdp from 14,623.02 in 2018. This RCV was calculated mainly on the basis of:

- an average unpaid ratio in Central-Southern Italy of July 2015 and June 2016 turnover, which is down compared to last year for both domestic customers (from 1.0762% to 0.85%) and for other uses (from 3.8664% to 2.83%) with a higher level of arrears for former customers;

- in relation to the remuneration of net invested capital taking into account an average exposure between the activity of purchase and sale of electricity equal to 38 days (against 41 days in 2017) and a WACC level of 6.5%.

Also with regard to the mechanism for compensating for arrears (Central-Southern area) the values show a significant decrease: domestic customers went from 825.06 c€/pdp in 2018 to 383.56 and other uses from 8,082.69 c€/pdp to 4,282.63 with new minimum unpaid ratio values (reference in order to be able to participate in the mechanism) also decreasing: domestic from 1.12% in 2018 to 1.06% and other uses from 5.13% to 3.56%.

The same resolution also updated the DISPBT component with the new monomial structure for domestic customers (the 626/2018), which no longer includes, for resident domestic customers, the energy share with differentiated values by consumption levels, but only the withdrawal point amount.

With regard to the PCV fee, applied to protected customers and defined in line with the marketing costs incurred by an efficient operator on the free market, there was a slight increase compared to 2018. In fact the 2019 fee for servants amounted to 6,538.46 c€/pdp (from the previous 5,778.84) and for other uses equal to 12,184.84 c€/pdp (from the previous 11,837.77). This PCV was calculated mainly on the basis of:

- an average unpaid ratio on July 2014 and June 2015 turnover and on July 2015 and June 2016 turnover which is 1.68% for domestic customers and 1.99% for other uses;

- in relation to the remuneration of net invested capital taking into account an average exposure between the activity of purchase and sale of electricity equal to 53 days and a WACC level of 6.7% due to the higher risk of sales activity on the free market.

Resolution 126/2019/R/eel – Start of procedure for the update within the period of the regulation of the tariffs and of the quality of the transmission, distribution and measurement of electricity

The Authority starts a procedure for the formation of measures relating to the infra-period update (2020-2023) of the regulation of tariffs and quality for the transmission, distribution and measurement of electricity. Regarding the Totex approach, with the consultation document 683/2017/ R/eel, the Authority highlighted the need to adopt a path of preparatory activities for the introduction of the Totex method that will be longer than the initial starting on 2020. Furthermore the distributors have proposed that the Totex approach be applied by the 2024 to ensure the necessary graduality in the introduction of the new approach, also taking into account the differences between the starting points in the different activities, in particular with

reference to the planning with forward-looking mechanisms. The Authority provides for the introduction of the new tariff logics starting from next regulatory period (2024), meanwhile the infra-period update of the tariff regulation will have as its object the review of the operating cost base and the productivity recovery rate (Xfactor) for the NPR2 half-period, including the costs of the 2G measurement service.

Reform of the Retail Market: The "Similar Protection" ("*Tutela Simile*")

In resolution 369/2016/R/EEL of 7 July 2016, the Authority retained the orientations of the DCO 75/2016/R/eel "Reform of the protection of the retail price market for electricity and natural gas: tutelage similar to the free marker for electricity for domestic end users and small businesses", providing as of 1 January 2017:

- the reform of the protected categories market, the economic and contractual conditions of which are to be defined in a subsequent measure;

- the implementation of the Similar Protection service, under more advantageous economic conditions than those in the reformed protected categories market (suppliers which intend to participate must offer a one-off bonus, expressed in Euro per supply point, discounting the economic conditions of enhanced protection). Customers and suppliers may opt for this service on a voluntary basis. A key role is attributed to consumer associations which, being qualified as "Facilitators", may assist customers in finalising the Similar Protection contract online, or may also do so on their behalf. Furthermore, they will receive a suitable payment for each Similar Protection contract that is finalised with their support.

Subsequent resolutions include 541/2016/R/eel, 633/2016/R/eel and 689/2016/R/eel:

- Resolution 541/2016/R/eel: the finalisation of a Similar Protection contract will be possible until 30 June 2018 independently of whether the protected categories market has been abolished according to the Competition DDL and that the value of the one-off bonus will not vary during the period of validity of the Similar Protection service. Albeit the Competition DDL has not yet been approved by the Government, Resolution 541/2016 still applies pursuant to law 481/95 article 2.2(h), which has granted the ARERA the power to introduce resolutions on energy matters also from a contractual point of view. ARERA’s aim is to obtain a completely free market without any price protection, even before the primary law intervention. The latest draft law of the Competition DDL sets the end date of the regulated market as at 30 June 2019;

- Resolution 633/2016/R/eel: the Authority has regulated the reformed protected categories market (MTR), defining the economic conditions, or PED (quarterly estimate), PPE and PCV, and the contractual conditions, stating that as of 1 January 2017 the security deposit will not be payable in instalments;

- Resolution 689/2016/R/eel: the Authority completed the regulation concerning the facilitators, quantifying the lump-sum payment due to them for each contract finalised with their assistance.

Acea Energia, in line with his own critical considerations (due to the short timeframe for the application of just one year, the complexity of the arrangement and the high cost of the

implementation) made during the consultation process, has decided not to be a party to the Similar Protection mechanism.

In the 2017, with the aim of strengthening the ability to choose small customers and overcoming information asymmetry, ARERA approve the following decision:

Resolution 555/2017/R/com - PLACET (Italian acronym of "*Prezzo Libero A Condizioni Equiparate di Tutela*", meaning an offer at free prices at conditions equivalent to those of the standard offer) offers and minimum contractual conditions for supplies to domestic and small business end customers in free electricity and natural gas markets

With Resolution 555/2017/R/com of 27 July, the Authority, following DCO 204/2017/R/com, has approved the rules on PLACET (Italian acronym of "*Prezzo Libero A Condizioni Equiparate di Tutela*", meaning an offer at free prices at conditions equivalent to those of the standard offer) offers together with minimum contractual conditions for all other free market offers other than PLACET offers; these provisions will come into force on 1 January 2018. In particular, the Resolution provides that PLACET offers must be inserted by each free market operator in their commercial offers both for the electricity sector (for domestic and non-domestic grid points connected to low voltage), and for the gas sector (for domestic and non-domestic points of delivery, including apartment buildings for domestic use for points with an annual consumption of less than 200,000 scm). As regards the general supply conditions, the seller may alternatively choose to use either the form prepared by the Authority or draw up their own general contractual conditions in accordance with the resolution, the form and regulations which do not contain any additional contractual conditions. As regards the economic conditions for the part to cover the costs typical of the procurement and marketing of the commodity, PLACET offers require a fixed amount €/point/year and an energy amount €/kWh or €/scm. It is envisaged that the energy amount will have two separate price formulas, a fixed price and a variable price (based on the National Single Price (PUN) for the electricity sector and on the TTF for the gas sector).

With Resolution 848/2017/R/COM, the Authority extended the entry into force of the PLACET offer until the date of approval by the Authority of the general supply conditions form.

With Resolution 89/2018/R/com, the Authority therefore resolved that starting from 1 March 2018 all sellers were required to make PLACET offers available on the retail market. The provision also approved the modules of the general conditions of supply of the PLACET offers. In accordance with the dates specified by the Authority, AE has made the offer available through the shop and via the website.

With Resolution 288/2018/R/com, the Authority established the obligation for sellers to transmit instrumental data for the monitoring of PLACET offers, establishing that starting from 1 March 2018 they submit by the month following the end of each quarter the number of contracts with PLACET offer activated and terminated.

During the 2017, the entire system has been involved in the structure of the general costs of the system for the electricity sector and ARERA worked on it very deeply, below a list of the main resolutions:

a) **Resolution 109/2017/C/EEL - Start of process for compliance with the sentences of the Regional Administrative Court of Lombardy, Section II, 31 January 2017, 237, 238, 243 and 244, relating to the resolutions of the Authority 268/2015/R/eel,**

on the subject of guarantees for the collection of the general costs of the electricity system

Resolution 109/2017/R/EEL of 3 March 2017 following the sentences of the Regional Administrative Court of 31 January 2017, Nos. 237, 238, 243 and 244, which cancelled the Network Code (Resolution 268/2015/R/EEL) in the part which also considered general charges not collected in the calculation of the amount of the guarantee due by the seller to the distributor.

The Authority appealed against these sentences to the Council of State with Resolution 79/2017/C/EEL of 23 February 2017, defining the transitional rules with Resolution 109 according to which distributors have the obligation to:

- reduce the number of guarantees by 5.6% (this reduction was motivated by the shortening of the contractual resolution times in case of the seller's non-fulfilment, as provided for by Resolution 553/16);

- apply a further reduction of 4.9% to the proportion of the guarantee amounts (already reduced) only relating to general costs (this reduction was determined based on the estimate of the charges normally levied);

- adjust the guarantees by 14 April 2017.

At the same time, the Resolution initiates a process to identify, by 31 December 2017, the final rules for the guarantees of the Network Code and adopt compensation mechanisms for sellers and the distributors for any non-collection of the general costs of the system, applicable from January 2016.

Resolution 109 was contested by Gala S.p.A. with the request for a precautionary measure rejected by the Regional Administrative Court on 24 March 2017, while on 25 May, the Council of State accepted its appeal on the order of the TAR, temporarily suspending the reductions in the amounts of guarantee in favour of the distributor.

The Council of State, on 30 November 2017, dismissed the appeals presented by E-Distribuzione and by the Authority against the sentences of the Regional Administrative Court of January 2017, confirming therefore, the cancellation of the provisions of the Network Code which provide for the inclusion of the general costs of the system not collected in the calculation of the guarantees that sellers must pay to distributors to conclude the transmission contract. As a result of this, in the statement on 29 December 2017, the Authority stressed that the transitional rules defined by Resolution 109 fully apply in all parts. In order to settle the whole matter, with the consultation document 52/2018/R/EEL the Authority gathered operator comments to establish a mechanism that from 2019 would allow sellers to recover general system charges (incurred in 2016) from those paid to the distribution companies but not collected by the final customer and any transfer costs and legal costs related to these charges. The document also envisaged that in cases of particular difficulty of the seller it can submit an early application for recovery, in 2018. Given the outcome of the consultation, which highlighted the impossibility of reconciling the various interests involved, and given the absence of primary legislation defining the issue, with Resolution 430/2018/R/EEL the Authority suspended the definition of the specific recovery mechanism, considering it more appropriate to implement a reform of the entire sector regulation by 30 June 2019.

b) Resolution 50/2018/R/EEL of 1 February 2018 – Provisions relating to the recognition of charges that could not otherwise be recovered due to the failure to collect general system charges

The Authority introduced a mechanism to reinstate the general system charges paid but not collected by distributors and establishes:

- the conditions for access: it is envisaged that access to the mechanism will be given to any distributor that requests it and that fulfils the obligations of paying the general system charges starting from the receivables accrued from 1 January 2016, in relation to transport contracts terminated for non-compliance for at least 6 months;

- the recoverable amount: the amounts to be included both related to the charges incurred for any actions aimed at the collection of receivables and the receivables not collected identified by the ARERA, as well as the amounts to be excluded or considered reduced. The procedural aspects and obligations set by the Energy and Environmental Services Fund (CSEA) are then defined for quantification and settlement of the amounts to be recognised to the companies. Lastly, resolution 626/2018/R/EEL of 5 December 2018, in which the Authority deferred the completion of the reform of the general system charges for domestic users to 2020, postponing the elimination of residual progressiveness from rates. Therefore, the two-scale structure remains in place for 2019 (up to 1,800 kWh/year and over 1,800 kWh/year).

c) Resolution 481/2017/R/EEL - Tariff structure of the general costs of the system for the electricity sector applicable from 1 January 2018. Definition of the groupings of the system's general costs

The Authority has defined the new tariff structure of the general costs to be applied from 1 January 2018 to non-domestic customers relating to components A2, A3, A4, A5, As, MCT, UC4, UC7, providing in particular for:

- two groupings: i) general charges related to supporting renewable energy and cogeneration (ASOS) and ii) remaining charges (ARIM);

- these groupings to have a trinomial form, characterised by three rates (a fixed amount expressed in euro cents per grid point per year; a power amount expressed in euro cents/kW per year; and a variable amount expressed in euro cents/kWh);

- the structure of the ASOS grouping to be differentiated by classes of incentives provided for companies with a high electricity consumption (energy-hungry) defined with Resolution 921/2017/R/EEL of 28 December 2017;

- that for the sake of simplicity, the afore-mentioned tariff structure is also applied to domestic customers and also concerns the tariff components UC3 and UC6, which are not related to general costs.

With Resolution 921/2017/R/EEL and subsequent Resolution 71/2018/R/EEL, the Authority then concluded the process of reforming the general charges, defining the new methods for implementing incentives for energy-intensive businesses.

With Resolutions 285/2018/R/EEL and 339/2018/R/EEL, the Authority approved the implementation rules (methods and timing) for the opening of the portal by Cassa for registration in the list of companies with a high electricity consumption for the year 2018.

With Resolution 181/2018/R/EEL, the Authority established the implementing provisions to allow the Cassa to proceed with the granting of subsidies to energy-intensive businesses pertaining to the years 2016 and 2017 and to other related prerequisites.

d) Resolution 867/2017/R/EEL - Postponement of the completion of the reform of the tariff components to cover the general costs of the system for domestic electricity customers, referring to Authority Resolution 582/2015/R/EEL

The resolution differentiates from 1 January 2019 the implementation of the reform of the tariff components to cover the general ASOS and ARIM costs of the DispBT component (marketing of the sale) for domestic electricity customers, providing to maintain the tariff structures currently in force throughout 2018 with differentiated rates for consumption bands (above and below 1800 kWh/year) and distinguishes between residents and non-residents.

The extension is necessary to avoid the combined effects of the revision of the incentives for energy-hungry companies and of the last phase of the tariff reform for domestic customers on the electricity bills of the same domestic customers.

e) Resolution 922/2017/R/EEL - Completion of the reform of the tariff structure of general system charges for non-domestic users in the electricity sector and coordination with the new system for recognizing subsidies for companies with high electricity consumption. Changes and additions to the TIT, also with reference to domestic users

The resolution completes the reform of the tariff structure of general system charges for non-domestic customers in the electricity sector, implementing the provisions of Resolution 481/2017/R/EEL, coordinating it with the new mechanism for recognizing benefits for strong businesses electricity consumption.

Second generation (2G) smart metering systems in the electricity sector

Resolution 87/2016/R/eel – "Functional specifications authorising intelligent low voltage meters and performance of the relevant second generation (2G) smart metering systems in the electricity sector, according to Legislative Decree no. 102 of 4 July 2012"

This measure defines the functional specifications and expected performance levels of the 2G smart metering systems, in view of the replacement of the meters currently installed on low voltage utilities, which have completed their regulatory lifetime. More specifically, the ARERA provides that the 2G meters must be equipped with two communication channels: the first – chain 1 – for the transmission of data to the distributor's infrastructure, which can then use the Power Line Carrier (PLC) in band A, RF 169 communication technology or other TLC technologies, and the second – chain 2 – for the transmission of data to the customer, which must use at least the PLC in band C. The possibility of the future adoption of an additional technological communication solution (optical fibre or wireless) for both channels is also provided. The functionalities that the 2G systems must include: continuous meter readings,

energy registers and power and recording of voltage quality indices and management of certain contractual information.

Resolution 646/2016/R/eel – Second generation (2G) smart metering systems: recognition of the cost of low voltage electricity meter reading and provisions concerning their implementation. Modifications to the TIME

The measure establishes, for distribution companies serving more than 100,000 withdrawal points, the criteria for the recognition of the capital cost of the 2G smart metering systems which respect the functional requirements and performance levels defined in resolution 87/2016/R/eel. For the initial phase of the new regulatory framework, the ARERA has defined two regimes for the recognition of the cost of meter reading:

- specific regime, for companies starting the plan for implementing a 2G smart metering system by the end of 2017 (this plan does not involve ARETI and must be approved by the Authority);

- transitory regime for companies which, conversely, have not yet started the plan for the implementation of a 2G smart metering system.

The transitory regime, which involves ARETI, will be fully effective as of 2018 and will be based on parameter related logic. The current provisions based on the criterion of historical cost adjusted by the application of a maximum unitary expenditure threshold admissible in the tariff (equal to 105% of the gross value invested in each meter for investment made operational in 2015) have been retained for 2017.

In 2017, ARERA consulted the first guidelines on the new Totex tariff method, specifying the duration of the entire tariff development process equal to 30 months and therefore indicating the start of the new method beyond 2020 as initially indicated in the resolution 654/2015

Resolution 683/2017/R/eel - Application of the totex approach in the electricity sector. The first guidelines for the introduction of incentive-based adjustment schemes on overall control of expenditure

The paper shows the first of the Authority's guidelines on the new incentive-based adjustment approach on overall control of expenditure, the so-called Totex approach. This approach has the following main features:

- Focusing on total expenditure improving on the current scheme which considers operating costs and investments separately;

- forward-looking with the simultaneous strengthening of the regulator's capacity to critically assess the expenditure forecasts made by companies, as summarised in their business plan. In particular, the regulator must find its own assumptions about the development of the development path not only of operating costs, but of total expenditure (so-called baseline) therefore also comprising capital expenditure estimates;

- application of the adjustment menu (IQI matrix) that combines incentives with efficiency incentives to formulate accurate forecasts to tackle the problem of information asymmetry between the regulator and the entities regulated.

The consultation identifies four main themed areas for the development of the Totex approach:

1) business plan: the companies submit their business plan to the regulator (with a time horizon of 5-10 years), in which they explain their assessments on the question of service (in terms of expected quantity and quality levels) and on the basis of which they make their investment decisions, specifying the objectives pursued and proving that they adopt the most effective solutions to achieve them. These activities will be complemented by the public debate process in which the companies acquire the point of view of stakeholders;

2) cost assessment: refers to the estimation of the baseline by the regulator and the acquisition activities and data necessary to manage the totex approach, both in the predictive stage, and in that of actual consumption and control;

3) Incentives: the intention is to continue with the incentives system of the current regulations, in addition to implementing the incentives of the IQI matrix;

4) managing uncertainty: the intention is to start an interactive process with companies to provide the regulator with a certain quality of information needed.

With reference to the scope of application, the paper seeks to assess the possibility of providing for the fifth regulatory period, the application of the approach to the national transmission operator and, in relation to the distribution service, ensuring extensive coverage of the territory while initially limiting the number of stakeholders.

With Resolution 700/2017/R/EEL which follows Resolution DCO 466/2017/R/EEL, the Authority ordered the TIS modifications aimed at applying hourly processing for use points equipped with 2G smart metering systems. In particular, the Resolution provided for the IWS to carry out the first aggregation for the purpose of settling the daily quarter-hour curves relating to withdrawal points gradually equipped with 2G smart meters with regard to the measurement data for August 2018 (anticipating the transition to hourly processing starting from the thirteenth month after commissioning, guaranteeing dispatching users at least 12 months of measurement data for correct scheduling of use). The date of entry into force of the new standard formats relating to measurement data from 2G systems was postponed to 1 January 2019 from the previous 1 October 2018.

With Resolution 88/2018/R/EEL, the Authority published the methods and time frames for exploiting and displaying the configurable information for the 2G withdrawal points in operation via IWS, applicable starting from 1 October 2018.

With Resolution 669/2018/R/GAS, the Authority confirmed the need to continue the commissioning process of the G4-G6 class smart meters (typical for home use), updating resolution 631/2013. In particular, distribution companies with more than 100,000 customers are expected to commission at least 85% of the new grid points by 2021.

With the publication of the consultation document 245/2018/R/EEL of 11 April 2018 which illustrates the Authority’s guidelines on the definition of the functional specifications for the "2.1" version of second-generation meters. Specifically, the guidelines concern: the possible definition of a complementary channel on chain 2 for sending information to the end user, the possibility of remote reinitialization in the event of excess power, the possibility of displaying

removal readings, the possibility of evaluating the achievement of certain threshold values set by the seller, the methods for implementing pre-paid offers.

Furthermore, with Resolution 419/2018/R/EEL of 2 August 2018 the Authority defined criteria for the recognition of measurement costs for low voltage electricity linked to the installation of 2G meters before starting the plan of mass installation envisaged by provision 646/2016/R/eel. In particular, the ARERA:

- confirmed the rules for recognising capital expenditures also in force for the 1G investments that will come into operation in 2019, providing that the maximum value recognisable per meter will always be equal to 105% of the corresponding value for 2015;

- introduced a new transitional mechanism for investments in 2G installed by the companies in the years 2018 and 2019, before the start of the mass replacement plan, such that the maximum recognisable expense per 2G meter will be equal to the sum:

- of 125% of the average unit expenditure incurred in 2015 for the procurement of 1G meters,

- of 105% of the investment per meter net of the average expenditure for the supply of installed meters incurred in 2015.

The changes respond to the difficulties of some DSOs finding 1G meters that are no longer in production and to the simultaneous need to start supplying 2Gs before submitting the request for admission to the recognition of specific investments (RAR1) to the Authority.

Resolution 100/2019 / R / eel - Second generation smart metering systems for the measurement of low voltage electricity. Update for the 2020-2022 three-year period on the provisions for the recognition of costs of 2G smart metering systems

On March 20, 2019, the Authority introduces an update for the 2020-2022 three-year period of the provisions on the determination and recognition of costs relating to second-generation smart metering systems (2G). In particular, the proposals reported in the consultation document include:

- the possibility of setting obligations on the timing of the commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the "two-speed country" risk; the updating and simplification of the provisions relating to the admission to the fast track of the companies that start their own commissioning plan for 2G smart metering systems in these three years;

- the evaluation of the provisions of the decree of the Minister of Economic Development 93/2017 concerning the periodic verification of electricity meters and the extra costs that could arise;

- the possibility of introducing provisions to quantify the penalties to be applied in the event of failure to comply with the expected performance levels of 2G smart metering systems.

Debranding – Obligation of brand separation for the sale of electricity to end users

Resolution 327/2016/R/eel – Extension of the deadline for the fulfilment of the obligation of separating the communication policies and brand for the sale of electricity to end users

With this measure, the Authority deferred until 1 January 2017 the deadline by which the "debranding" needs to be carried out, in other words the separation of the brand and the communication policies of the electricity companies operating on the free market and the protected categories market. The previous deadline of 30 June 2016, defined in resolution 296/2015/R/com, remains unchanged for the debranding of the distribution companies from the vendors belonging to the same corporate group. The deferral was granted in order to await the publication of the competition DDL, in which methods of overcoming the protected categories market may be provided (such as the awarding of the service through joint procedures), which would make the debranding measures as drawn up by the Authority, the respect of the need to protect end users and the goal of encouraging competition no longer justifiable. As of 1 January 2017, Acea Energia has fulfilled the requirements of resolution 296/2015/R/com as regards "debranding", adopting a new brand name for the customers of the Protected categories market: "Servizio Elettrico Roma".

Network Code - Integration to the regulations

Resolution 460/2016/R/eel – Modifications and integrations to the regulations of the Network Code for the transport of electricity, concerning the billing of the service among distribution companies and users

With this resolution, the Authority defined the billing standards in Annex C ("Billing and payments") to resolution 268/2015/R/eel on the Network code for electricity. Specifically, the resolution establishes that the implementation of the new standardised transport bills was expected from 1 April 2017, which however does not apply to bills concerning commercial quality and additional services and payments (indemnities for example), which will be standardised at a later date. The Authority has also published decision13/2016 – DMEG, in which it approves the operating instructions.

Provisions for the Regulation Integrated Text

TIQE: Resolution 413/2016/R/com – Modifications to the regulation of the commercial quality of the electricity and natural gas distribution service

The resolution is part of a wider-ranging measure implemented by the ARERA with the aim of rationalising the system of customer protection on the matter of processing claims and the extra-judicial settlement of disputes, introducing some modifications to the TIQE concerning the following aspects:

- provisions concerning the times for making available the technical data requested by vendors; a procedure for reducing the timeframes for dealing with the requests in question was provided as of 1 January 2017 and will be completed in 2019;

- the base value of the automatic indemnity due to the vendor in the event of failing to meet the specific standards for making available the technical data is increased from Euro 20 to Euro 30; and

- the maximum timeframe for the payment of the abovementioned indemnity is reduced to 6 months from the request date.

As regards the method of requesting the technical data from the distributors, resolution 795/2016/R/eel has been published, regulating, within the framework of the distributor making available the technical data requested by the vendor, the circumstances falling in the category of "other complex technical data" as provided in article 9, paragraph 91.4 of the TIQE and article 51, paragraph 51.4 of the RQDG.

TIME: Resolution 458/2016/R/eel – Regulation of electricity meter reading. Approval of the Integrated Text of provisions for the regulation of electricity meter reading (TIME)

The ARERA has rationalised in a single measure, which became effective from 1 January 2017, the regulation of the activities comprising the measurement of outgoing, incoming and produced electricity, reviewing the definitions and responsibilities for the various operations. The structure of the responsibilities involved in managing the service has been partly modified, and the management of the interconnection data between the national grid and the distribution networks has been awarded to Terna. The latter will send the electricity measurements from the national grid to the distributors, no later than the third working day of the month following that to which they refer. The text contains a specific section on automatic indemnities, and also introduces a new indemnity charged to the distributor to be paid, with regards to each hourly withdrawal point, in the event of delayed availability or failure to make available to transport users the energy meter readings within the timeframes provided in the regulation.

TICO - Resolution 209/2016/E/com – Adoption of the integrated text concerning the procedures for extra-judicial settlement of disputes between customers or end users and operators or managers in the sectors regulated by the Authority for the electricity and gas sector and water network – Settlement Integrated Text (TICO)

With this resolution, the TICO (Settlement Integrated Text) was approved, which established the obligatory nature of attempting settlement as a condition for proceeding with lawsuits, in force as of 1 January 2017. Specifically, the document defined the procedures and operating methods for the obligatory settlement attempt through the settlement board, which was set-up by the Authority for the online completion of procedures for the voluntary extra-judicial settlement of disputes of a conciliatory nature. These procedures, regulated by resolution 260/2012/E/com, were no longer active as of January 2017, except for their transitory application to pending settlement procedures. Similarly, as of January 2017, the effects of the list of operators which voluntarily adhered to the settlement procedures ceased. Consequently, the choice between the settlement board and second level appeals before the consumer authority has now been repealed. As an alternative to settlement through the Authority, it will be possible to make the obligatory attempt at settlement through the Chamber of Commerce mediation/settlement procedures and the procedures of the entities in the ADR list (set-up by the Authority in resolution 620/2015/E/com), which will include equable settlement entities. In resolution 383/2016/E/com, the Authority simultaneously adopted the Regulation by which it changes the availment of the Sole Purchaser (AU) for the efficient management of appeals, and the settlement procedures, so that as of 1 January 2017, the AU may, among other things, ensure the operating status of the settlement service and deal with specific disputes concerning

pre-defined cases in derogation of the principle of exclusive recourse to the settlement board (so-called special settlement procedures). The new regulations of the settlement board, which came into force with the TICO, involve end users powered by medium and low voltage, domestic and other, and also include prosumers as regards disputes with the operators and the GSE (for specific withdrawal and on the spot exchange).

TIRV - Resolution 228/2017/R/com - Adoption of the Code regarding preparatory measures for the confirmation of the electricity and/or natural gas supply contract and voluntary reinstatement procedure TIRV

Despite the TIRV having entered into force on 1 May 2017, the Authority has nevertheless submitted the most innovative parts of the text for consultation, i.e. the new deadlines for submitting complaints to contest the conclusion of the contract by domestic customers as well as the procedures and the deadline for signing up to the reinstatement procedure always for the latter and, finally, also the provisions relating to non-domestic customers.

The TIRV, which repealed Resolution 153/2012, applies to contracts negotiated away from business premises or remotely and provides:

- that in the case of a domestic customer complaint about the irregularities in the confirmation of the contract:
- the reinstatement rules that can only be activate as a result of the customer signing up in writing within a mandatory period (20 days from the date of delivery of the reply to the complaint to the postal carrier/sending of the email);
- a new deadline for the submitting complaints (40 days from the issuance of the first bill);
- further information obligations in the reply to the complaint by sellers
- if the domestic customer does not sign up to the reinstatement procedure, they can activate the conciliatory procedure with the Authority's Conciliation service or with other organisations;
- for removal as requested by the European Commission of any reference "to contracts or activations not requested" to eliminate any ambiguity about the application of the resolutions in words to any provisions not requested referred to in the Consumer Code (Art. 66 D);
- differentiated rules applicable to non-domestic customers (regarding preventive measures and the lodging of a complaint).

Salespeople already signed up to the procedure of 153/12 are automatically entered in the new list of vendors participating in the TIRV. With Resolution **543/2017/R/com** of 20 July, the Authority has made changes to the TIRV that require the seller, when receiving a complaint from a domestic customer, to also informs them about the measures that will be adopted in the case where the same customer has not expressed their participation in the reinstatement procedure (which may also match the procedures governed by the TIRV).

TISIND - Resolution 593/2017/R/com - Changes to the indemnification system: implementation in the SII and rules of its application to the natural gas sector

With Resolution 593/2017/R/com on 3 August, the Authority approved the TISIND (indemnification system for the defaulting end customer system in the electricity and natural gas sectors integrated text), i.e. the return to the rules of the indemnification system already in

force since 2010 in the electricity sector: it envisages implementation of the rules in the Integrated Information System (SII) and also its extension to the field of natural gas. In the new text, the indemnification quantification criteria are confirmed for the electricity sector and also extended to gas, only envisaging an update of the indemnification calculation which will be equal to the lowest of either the receivable relating to consumption in the last 4 months or the average value of 3 months of provision of the supply, recognising the extension of the potential shortfall period of sellers following some regulatory changes on formal notice and switching. Moreover, the TISIND simplifies the operational methods and streamlines the set of texts that make up the current transitional rules. The SII Operator, by 31/05/2018, will be responsible for implementing the technical specifications (in consultation until 16/10/2017) and the related functional testing. Based on the outcome of these activities, the Authority will identify the date of entry into force of the TISIND with a subsequent measure, possibly also separate for each sector, electric and gas.

Electrical sector: ARERA activity during the 2017

a) Resolution 69/2017/R/eel - Standard service: compensation mechanism of fixed costs incurred by service operators

On 16 February 2017, the Authority published its Resolution 69/2017/R/eel with which it defined the compensation mechanism of the fixed costs of the standard operator due to customers leaving the related service, by introducing Art. 16-*quater* in the TIV (Integrated Text on Sales).

The mechanism shall apply from 2016 and provides:

- differentiated compensation to take account of cases of customers leaving to enter the free market of the same standard operator, that cases of leaving to go to other traders, recognising 35% of the recognised costs (RCVsm), if the customer moved to the free market with the same operator, or 60% if the customer moved to another trader;

- a leaving rate threshold for participation in the mechanism distinguished between domestic and non-domestic customers and differentiated according to whether moving to the free market of the same standard operator or to a different trader.

On 20 April 2017, Acea Energia notified the appeal challenging Resolution 69/2017/R/eel in order to obtain an increase in the value of the recognised cost in addition to the application of the mechanism also to the years 2014 and 2015. On 24 May, Acea Energia sent CSEA the request for participation to in the mechanism, as corrected on 25 July following a request for information received from the Authority.

b) Resolution 188/2017/R/eel – Calculation of the final reference tariffs for the electricity distribution service for 2016

The Resolution approves the values of the final reference tariffs for 2016 for the electricity distribution service. For Areti, the flat-rate fees are slightly lower than those determined by the ARERA provisionally and made known with Resolution 233/2016/R/eel.

c) **Resolution 199/2017/R/eel – Calculation of the final reference tariffs for the electricity meter reading service for 2016**

The measure finally determines components T(ins) and T(rav) the reference tariff T(MIS) referred to in Article 15 of the TIME (Integrated Text On Meter Readings), for companies that serve more than 100,000 grid points.

d) Resolution 206/2017/R/tlr – Calculation of the final reference tariffs for the electricity meter reading service for 2016

With Resolution 206/2017/R/tlr, the Authority has started a process to monitor the prices of the remote heating service, in order to exercise regulatory powers in terms of the transparency of economic conditions of service delivery, quality of service and tariffs, as well as the powers of control conferred by Legislative Decree No. 102/14 and, more generally, to monitor the impact of sector regulation interventions on the prices charged to users by operators.

e) Resolution 279/2017/R/com - Bill 2.0: incentive mechanism for greater dissemination of electronic bills direct to the customers served by standard schemes and amendments to Bill 2.0

With Resolution 279/2017/R/com of 21 April, the Authority introduced a mechanism, starting from 2016, aimed at encouraging the dissemination of electronic bills to end customers, also through specific incentive methods, for the benefit of operators the protection, which provide for the reinstatement of the differential between the level of the discount applied to customers served (with bills in electronic format and direct debit as provided by Bill 2.0) and the cost savings made by the operator by issuing bills in non-paper format. To access this mechanism, a minimum requirement is having billed the discount for an electronic bill to at least 7% of customers served in the standard scheme. For 2016, Acea Energia does not meet this minimum requirement and will not, therefore, ask to participate in said mechanism.

f) Resolution 286/2017/R/eel – Calculation of the provisional reference tariffs for the electricity distribution service for 2017

The resolution makes the provisional 2017 reference tariffs for the electricity distribution service known, including the pre-final value of the balance of the equity increments entered in the year and fixed assets during 2016.

g) Resolution 76/2019/R/eel – Determination of definitive reference tariffs for electricity distribution and metering services, for the year 2018

On 5 March 2019, L'ARERA published the definitive reference tariff for the electricity distribution service for the year 2018 with resolution 76/2019 / R / eel.

h) Resolution 117/2019/R/eel – Determination of the provisional reference tariffs for the distribution service and for the electricity measurement service, for the year 2019

On 2 April 2019, ARERA published the provisional reference tariff for the electricity distribution service for the year 2019.

i) Resolution 291/2017/R/eel - Criteria for allocating the flat-rate contribution payable by the Revenue Agency, to cover the charges incurred by sellers of

electricity for debiting the (television) licence fee at the same time as bills for the years 2016 and 2017

The Authority shall establish the arrangements for allocating a lump sum contribution to cover the costs incurred for debiting the television licence fee in the bill. The full contribution is €14 million for 2016 and € 4 million for 2017, from which an amount allocated to the Single Buyer is subtracted, estimated to be approximately €250,000 (i.e. €0.0054 per average number of POD (electricity grid point) with a paid TV licence fee).

The Authority has established that the contribution will be calculated directly by the Revenue Agency based on the information that will be transmitted by the Single Buyer relating to the average number of domestic grid points served and the average number of grid points for which the sales company collects the licence fee, in the respective years, without requiring operators to send any more data.

The formula for calculating the contribution, although differing from that suggested by operators (euro/POD classified by size) reintroduces the differentiation between the investment costs and operating costs: the first are divided into a fixed part (€ once) and a part that depends on the number of domestic customers served (€/POD served), while the second are defined as only variable costs based on the average number of PODs with a TV Licence Fee collected (€/POD with TV Licence Fee).

The Authority has stated, moreover, that any possible differences, positive or negative, between the total annual contribution payable and the sum of the contributions payable as a result of this calculation shall be divided between the sales companies in proportion to the average number of grid points for which the sales company has collected the licence fee. As provided for by Resolution No. 189448/2017, in November 2017 the Revenue Agency notified Acea Energia that the flat-rate contribution payable for the year 2016 is €536,615.80 and in the month of December paid part of this contribution equal to €514,975.01. The balance will be paid upon the outcome of the revaluation of the contribution that the Revenue Agency will make following any acceptance by the Single Buyer of the observations submitted by certain operators in relation to the data supplied by the same Single Buyer to perform the calculation.

j) Resolution 594/2017/R/eel - Provisions concerning the management of meter reading data in the context of the Integrated Information System (SII), with reference to the electricity sector

The measure assigns the SII the role of a unique interface for the provision of periodic meter reading data and related adjustments between distributors and sellers, as well as for data made available by the distribution companies in cases of change of ownership and switching. with reference to the electricity sector.

The measure assigns the SII the role of a unique interface for the provision of periodic meter reading data and related adjustments between distributors and sellers, as well as for data made available by the distribution companies in cases of change of ownership and switching.

Consequently, the compensation provided for by the regulation in force shall also apply, as standard, with reference to the provision of meter reading data in respect of the SII.

With regard to the implementation times, the resolution:

- envisages that the experimental phase of tests, inspections and checks shall apply from the provision of the data for October 2017, because of the time necessary to set up the essential information tools;

- confirms that the meter reading data made available through the centralised process by the SII acquires an official character starting from:

    - the data made available in February 2018, with reference to regular readings and adjustment;

    - o the meter reading data relating to transfer of ownership requests in January 2018;

    - o the meter reading data related to switching with effect from 1 February 2018.

- **Resolution 716/2017/R/eel - Provisions relating to remuneration recognised on incentive-based investments, carried out in the years 2012-2013 by the company Areti S.p.a., for the tariff years from 2014 to 2017**

    The measure arranges for CSEA to dispense the amounts referring to the increase in the capital remuneration rate (WACC) for investments that entered into operation in the years 2012 and 2013, for amounts of approximately €530,000.

- **Resolution 882/2017/R/eel - Update for 2018, of the mandatory tariffs for the electricity distribution and meter reading services for non-domestic customers and economic conditions for the provision of the connection service**

    The resolution updates the mandatory tariffs for the distribution and meter reading services for 2018 and extends the parametric methods for recognising the costs of 1G meters also for investments that will come into operation in 2018 for which the maximum value recognisable per meter installed will be, as was the case for 2017, 105% of the value corresponding to the investments that entered into operation in 2015.

The mandatory tariffs for the year 2019 were published with Resolution 671/2018/R/EEL on December 18, 2018.

Budget Law 2018 (Law 205 of 27 December 2017)

As regards the energy market, Law 205 of 27 December 2017 approved the so-called amendment on "*maxibollette*" (maximum bills), reducing the period of limitation of the right to remuneration for electricity and gas supply contracts to two years, in relations between customers (domestic, professionals and micro-enterprises) and the seller, and in relations between the distributor and the seller, and in those with the transport operator and with other subjects in the supply chain. These rules apply with reference to bills whose due date is later than 1 March 2018 for the electricity sector and 1 January 2019 for the gas sector.

With subsequent Resolutions, the Authority is aligning the regulations with the primary norms. In fact, with Resolution 97/2018/R/COM, the Authority provided the first guidelines for the application of the provisions of the 2018 budget law, establishing that to start with the two-year limitation would apply to all customers connected in low voltage who request it, following appropriate information provided by the seller on the bill or at least 10 days in advance with respect to its expiry.

With subsequent Resolution 264/2018/R/COM, the Authority implemented a further transitional measure regarding the application of the limitation in the relations between sellers and distributors, establishing that if an end customer objected to the limitation of the amount invoiced by the seller with reference to consumption dating back more than two years, for cases concerning adjustments deriving from corrections attributable to the distribution company the seller could request the reversal of the bills concerned and the return of any excess amounts paid to the distribution company.

With Resolution 569/2018/R/COM, the Authority approved the interventions (previously illustrated in DCO 408/2018/R/COM) for the strengthening of protections in the event of bills containing amounts relating to consumption dating back more than two years, definitively identifying the subjective perimeter against which the interventions are applied and defining the sellers' disclosure obligations, as well as the forms of presentation and management of any claims by end customers. In particular, it is envisaged that:

- the seller adds the notices and the form to object to the limitation in an initial page added to the bill;
- the amounts for consumption dating back more than 2 years are shown separately on the same bill or through the issue and simultaneous sending of two separate bills, providing for the suspension of any automatic collection methods for the part beyond limitations.

The Authority established that these provisions should be effective with reference to the invoices issued starting from 1 January 2019.

In parallel, the ARERA has published DCO 570/2018/R/COM concerning the definition of the attribution of responsibilities (between distributor and end customer) regarding the billing of amounts related to consumption more than two years old.

Finally, with Resolution 683/2018/R/COM the Authority nevertheless allowed the operators to be able to implement the resolution with specific and differentiated methods while safeguarding the right to protect the customer in relation to information and the possibility of objecting to the limitation. Furthermore, in the Resolution the Authority established that in the event of failure to record consumption due to the responsibility of the distributor, distributors can return the sums they have paid to the sellers by offsetting subsequent payments of transport invoices rather than through an activity of reversal, and confirmed the daily criterion for the purposes of determining the consumption out of limitation. The following are thus postponed to a subsequent order:

- the procedures for requesting Terna or Snam Rete Gas to review the values relating to the dispatching or balancing service in the event of a limitation applied due to the fault of the distributor;
- the definition of the methods for attributing sums deriving from missed collections due to limitations objections to the parties responsible.

In the same budget law were also inserted provisions in favour of electric cars by prescribing that the Ministry of Economic Development (MISE) that identifies criteria and methods to promote the dissemination of integration technology between vehicles and the electricity network (vehicle to grid) before 1 July 2018, also providing for the definition of the rules for

participation in the electricity markets and specific measures to rebalance the purchase costs with respect to energy resale prices.

The name of the Authority for the electricity gas and water system was also changed, replacing it with the regulatory Authority for energy networks and the environment (ARERA), in virtue of the allocation to it of regulation and control functions in the field of waste as of 1 January 2018.

During the 2018, further Electrical sector ARERA activity

2018 was the third year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods: the first four with method continuity, the method for the others to be subsequently implemented. "Integrated Text of dispositions of the Authority for supplying electricity transmission and distribution services (TIT)", Annex A to Resolution 654/2015/R/EEL, the "Integrated Text of dispositions of the Authority for the supply of the electricity metering service (TIME)"; Annex B to Resolution 654/2015/R/EEL, and the "Integrated Text on dispositions of the Authority for the economic conditions for supplying connection services (TIC)", Annex C to Resolution 654/2015/R/EEL, published on 23 December 2015.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the restriction on revenue permitted to each company (the reference tariff). The regulations in force in 2016 include:

1. regulatory lag and return on invested capital;

2. extension of regulatory useful life;

3. tariff adjustment criteria: cost coverage, measurement.

With regard to the first point, the ARERA has changed the manner for offsetting the regulatory lag, recognising new investments made both for distribution and for measurement (no retroactivity). The criterion based on the increase in the investment rate of return granted to new investments, equal to 1% (year t-2), has been replaced by recognition in the capital base (RAB) also of the investments made in year t-1, evaluated on the basis of pre-final data communicated to ARERA. These data will be used for the determination of the provisional tariffs of reference published by 31 March and then replaced by the final data for the determination of the definitive tariffs of reference published by February of the following year.

On 15 March 2018, the ARERA published the definitive reference tariff for the electricity distribution service for the year 2017 with Resolution 150/2018/R/EEL.

On 29 March 2018, the ARERA published the provisional reference tariff for the electricity distribution service for the year 2018 with Resolution 175/2018/R/ EEL.

Resilience is the ability of a system to quickly return to the initial situation after suffering a disruption. Resistance to stress and the ability to restore service even in emergency conditions are essential components of resilience. In the 5th regulation period 2016-2023 (see the Integrated Text of the output-based regulation of electricity distribution and measurement services (TIQE)), the Regulatory Authority for Energy Networks and Environment (ARERA)

is following up on several initiatives to promote an increase in the resilience of the electrical system and laid the foundations for further developments. Resolution 31/2018/R/EEL of 25 January 2018 updates the aforementioned TIQE, introducing obligations for the preparation of Resilience Plans for distribution companies. The Resilience Plan –which occupies a dedicated section in the Development Plan – must:

- have a horizon of at least three years;
- be processed in a coordinated manner with Terna and with the interconnected and underlying companies;
- include actions to contain the risk of disruption in the face of the critical risk factors, like flooding due to particularly intense rain, heat waves and prolonged droughts.

Resolution 668/2018/R/eel – Economic incentive for interventions to increase the resilience of electricity distribution networks

With Resolution 668/2018/R/EEL of 18 December 2018 the Authority introduced an incentive mechanism for investments aimed at increasing resilience, focusing in particular on the resistance of distribution networks subjected to extreme weather events. As anticipated by the Authority in consultation, projects with benefits greater than costs are eligible for a bonus, while all the projects present in the Resilience Plan of the DSO are subject to penalties. More in detail, the bonus for each project – quantifiable as 20% of the net benefit of the project itself – will be reduced by 50% in the event that the effective completion date is postponed by six months compared to what was initially envisaged in the Plan. At the same time, the penalty associated with each project will be 10% of the costs actually incurred for the task if the effective completion date is postponed by 12 months compared to what was initially specified in the Plan, and 25% if the delay lasts 18 or more months. In the latter case, the DSO must justify the causes of the delay, describe the actions taken to recuperate the time lost and give an indication of any extra costs arising from the delay. With regard to the operating procedures of the bonus/penalty mechanism, the resolution envisages that by 30 November every year from 2019 to 2024 the Authority will update and publish the list of the projects of each main DSO eligible for a bonus and/or penalty, and by 31 December of each year from 2020 to 2025 it will determine for each DSO the bonuses and penalties related to the projects with effective completion date in the previous year.

Portal for comparing offers (Annual Market and Competition Law for 2017. Italian Law no. 124 of 4 August 2017): with Resolution 51/2018/R/COM (which followed DCO 763/2017/R/COM), the Authority defined the guidelines for the SII Manager's creation and management of an Offers Portal to collect and publish all offers in the retail energy and gas markets for domestic customers and SMEs. The portal was published and completed in subsequent steps by December 2018. The Resolution also envisaged future step-by-step implementations that will make it possible to offer additional services, for example through interaction with the IWS, which will allow the portal to calculate the expense associated with the offers displayed by the user based on actual historical consumption.

TEE Energy Efficiency Certificates: determination of the tariff contribution

With provision 487/2018/R/EFR of 27 September 2018, the Authority updates the criteria for determining the tariff contribution paid to distributors complying with energy saving

obligations, in consideration of the changes introduced by interministerial decree of 10 May 2018, updating the previous interministerial decree of 11 January 2017, as well as the changes in the mechanism made in recent years. As a result of the resolution, the update of the Regulations for bilateral transactions and the TEE Market Rules was approved, as proposed by GME (Resolution 501/2018/R/EFR).

Natural Gas

Italian regulations enacted in May 2000, by means of the Legislative Decree No. 164/2000 (the "**Letta Decree**") - implementing EU directives on gas sector liberalisation (Directive 1998/30/EC) - introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, and sale of gas. The liberalisation process was successively strengthened by Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport, distribution and sale sectors and, on the other hand, incentives for new import infrastructure. The authorities responsible for turning this regulation into practice are the Ministry of Economic Development and AEGG.

Sale

As of 1 January 2003, companies that intend to sell gas to end customers must obtain a licence from the Ministry of Productive Activities. Authorisation is issued, on the basis of criteria set by the Ministry of Productive Activities, provided that the company meets certain requirements (e.g. appropriate technical and financial capacity) and may only be refused on objective and non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, may sell gas.

Law No. 99/2009 provided for the constitution of a market exchange for the supply and sale of natural gas. It envisages that the Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, would be designated as manager of the natural gas exchange market.

Accordingly, the Legislative Decree issued by the MED on 18 March 2010 established the trading platform for the import gas exchange (P-Gas), managed by the Energy Market Operator ("**GME**") in compliance with the principles of transparency, competition and non-discrimination.

Afterwards, in October 2010, a true gas exchange started, with the GME taking on the role of central counterparty (M-Gas platform, structured in day ahead market - MGP-Gas – and in intraday market – MI-Gas).

In December 2011, the Gas balancing market on the PB-Gas platform started, managed by GME and with Snam Rete Gas playing a role of central counterparty. The balancing market introduces a ex-post gas exchange session aimed at balancing the whole gas system and, accordingly, shipper positions (the part of the supply chain that produces or imports gas, or buys it from domestic producers or other shippers) by buying or selling stored gas. Through the central platform, accessible to all operators, they may acquire, on the basis of economic merit, the resources required to balance their positions and ensure the equilibrium constant of the network, for the purposes of system security.

By means of Resolution No. 71/11, the ARERA introduced a set of new rules to limit the application of the economic conditions to residential customers, non-residential customers with a consumption level below 50,000 cubic meter/year and users involved in providing public assistance services.

Heat and Services

Legislative Decree 102/14 granted ARERA regulatory and enforcement powers in the areas of district heating (*teleriscaldamento*), cooling and hot water for domestic use. In particular, the regulatory powers granted to ARERA relate to:

- the continuity, quality and safety of the service, the plants and the accounting systems;
- the criteria to determine the user rates for connection to the network and the methods to exercise the relevant right of disconnection;
- the methods through which the network operators publish the prices for the provision, the connection, the disconnection and the accessory machinery for heating systems;
- the reference conditions for the connection to the district heating and cooling networks applicable to new generation heating units;
- the rates for the sale of heating in case of the obligation to connect to the district heating and cooling networks imposed by Regions or Municipalities;
- the regulation of the measurement and accounting systems of heating/cooling/water consumptions for health purposes;
- the regulation of invoicing information and documents.

Pursuant to Legislative Decree 102/14, ARERA also exercises control, inspection and sanction powers provided by Law 481/95, as well as the sanction powers provided by Article 16 of Legislative Decree 102/14.

During 2017, ARERA continued to deepen its activity on the district heating service with the following consultations:

1) **DCO 46/2017/R/tlr - Regulations for contractual quality of the district heating service (district heating and district cooling). Framework and initial guidelines**

With consultation document 46/2017/R/tlr, and the subsequent document 438/2017/R/TLR of 15 June 2017, the ARERA has illustrated the guidelines for the regulations for some contractual quality profiles of the district heating service, connected at start-up, to the management and the closure of service contracts. The regulations it intends to initiate would last for four years and would require the application of automatic compensation in the event of failure to comply with the specific standards established for the sector and with reference to causes attributable to the operator. The value of this compensation should be commensurate to the power contractually committed to by the user to take into account the size of the user concerned by the breach.

2) **DCO 112/2017/R/tlr - Provisions for connection fees and the procedures by which the user can exercise their right to turn off and disconnect the district heating service (district heating and district cooling)**

With consultation document 112/2017/R/tlr, and the subsequent document 378/2017/R/tlr of 25 May 2017, the Authority provides the guidelines in relation to defining the criteria and procedures for connecting users to the network and the procedures by which the user can exercise their right to turn off the supply and disconnect from the district heating network.

3) **DCO 725/2017/R/tlr - Provisions concerning the accounting separation obligations for the district heating service operators (district heating and district cooling) - First guidelines**

With consultation 725/2017/R/tlr, the Authority presented the first guidelines for district heating service operators regarding the accounting and administrative separation obligations (accounting unbundling): these obligations are based on the size of the operators. The activities and sectors for the district heating sector to allocate the balance sheet items to are also identified and is also has the introduction of a specific criterion for allocating the accounting entries relating to the combined production of electricity and heat.

At the beginning of 2018, ARERA with the Resolution 23/2018/R/tlr – "Provisions for the exclusion from the list of district heating and cooling networks subject to regulation" allow to the allows operators that do not meet the conditions required by the primary legislation D.Lgs. 102/2014 to be subject to the regulation to exclude themselves as they do not fall within the scope identified and subject to regulation.

TAXATION

The following is a general description of certain Italian, US, Luxembourg and EU tax considerations relating to the Notes. They apply to a holder of Notes only if such holder purchases its Notes under this Programme. It is a general summary related to certain categories of investors in the Notes and it does not cover other matters and all categories of investors in the Notes and it does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. It does not discuss every aspect of taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. Furthermore, it does not cover the tax regime of notes similar to shares. This summary assumes that the Issuer is resident only in Italy for tax purposes (without a permanent establishment abroad) and that the Issuer is a company listed on the Italian Stock Exchange and is organised (and its business will be conducted) as outlined in this Base Prospectus. Changes in the Issuer's tax residence, organisational structure or in the manner in which the Issuer conducts its business may invalidate this summary.

Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries.

This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date which changes could be made on a retroactive basis. The issuer will not update this summary to reflect changes in laws and if any such changes occur the information in this summary could become invalid.

Taxation in the Republic of Italy

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between repayment amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, (i) by public entities transformed in limited companies, pursuant to specific law provisions and (ii) by company listed in a regulated market.

Decree 239 applies, *inter alia*, provided that:

(i) interest, premium and other income relating to notes are not entirely linked to the economic performance of the Issuer or of other companies belonging to the same group as the Issuer or of the business in relation to which the Notes have been issued;

(ii) bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the Issuer or of the business in relation to which they have been issued.

Italian resident Noteholders

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected; (b) a non commercial partnership; (c) a non commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders under (a), (b), or (c) opted for the application of the "***risparmio gestito***" regime — see under "*Capital gains tax*", below), interest, premium and other income relating to the Notes, paid, are subject to a substitute tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**"), or in Article 1(211-215) of Law no. 145 of 30 December 2018 (the "**Finance Act 2019**") and Ministerial Decree of 30 April 2019, as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Where an Italian resident Noteholder is a company or similar commercial entity (including commercial trusts) or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**").

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 and Italian Real Estate SICAFs ("**Real Estate SICAFs**")(*"Società di investimento a capitale fisso"*) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate fund, but subsequent distributions made in favour of unitholders or shareholders are subject, in certain circumstances, to a withholding tax of 26 per cent. Furthermore, under some conditions, incomes realised by the real estate funds are subject to taxation in the hands of unitholders or shareholders regardless of the distribution of the proceeds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAF (*"Società d'investimento a capital fisso"*) or a SICAV (*"Società di investimento a capitale variabile"*) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Italian Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but

must be included in the management results of the Italian Fund. The Italian Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**"), with certain adjustments.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions, regulated under Legislative Decree No. 509 of 30 June 1994, and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211-2015) of the Finance Act 2019 and Ministerial Decree of 30 April 2019, as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Furthermore, subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation on distribution made by certain collective investment funds which mainly invest in specific qualified assets and hold (not mainly) notes. Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non Italian tax resident Noteholders

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected; (b) a non commercial partnership; (c) a non commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders under (a), (b), or (c) opted for the application of the "***risparmio gestito***" regime — see under "*Capital gains tax*", below), interest, premium and other income relating to the Notes, paid, are subject to a substitute tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the

imposta sostitutiva applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**") or in Article 1(211–215) of Law no 145 of 30 December 2018 (the "**Finance Act 2019**"), as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Where an Italian resident Noteholder is a company or similar commercial entity (including commercial trusts) or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**").

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 and Italian Real Estate SICAFs ("**Real Estate SICAFs**")(*"Società di investimento a capitale fisso"*) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate fund, but subsequent distributions made in favour of unitholders or shareholders are subject, in certain circumstances, to a withholding tax of 26 per cent. Furthermore, under some conditions, incomes realised by the real estate funds are subject to taxation in the hands of unitholders or shareholders regardless of the distribution of the proceeds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAF (*"Società d'investimento a capital fisso"*) or a SICAV (*"Società di investimento a capitale variabile"*) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Italian Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Italian Fund. The Italian Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**"), with certain adjustments.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions, regulated under Legislative Decree No. 509 of 30 June 1994, and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211–215) of the Finance Act 2019, as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Furthermore, subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation on distribution made by certain collective investment funds which mainly invest in specific qualified assets and hold (not mainly) notes.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Atypical Securities

Any proceeds relating to Notes that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non Italian resident, the withholding tax is a final withholding tax. For non Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or transfer or redemption of the Notes if realised (i) by an Italian company or (ii) a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or (iii) Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, would be treated as part of the taxable income subject to corporation tax (IRES) generally applied at a

rate equal to 24% - (save for the cases in which the additional IRES rate equal to 10,5% applies). In certain cases, (depending on the status of the Noteholder), capital gains are also included in the taxable net value of production of Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes, generally applying at 3.9% rate (depending on the activity performed and where the latter is carried out). The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years for IRES purposes.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non commercial partnership; (iii) a non commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. pursuant to the provisions set forth by the Legislative Decree of the 21 November 1997, No. 461 ("**Decree 461**").

For the purposes of determining the taxable capital gain, any interest on the Notes accrued and unpaid up to the time of, respectively, the purchase and the sale of the Notes must be deducted both from the purchase price and the sale price.

In respect of the application of the *imposta sostitutiva*, Noteholders under (i) to (iii) just above, under certain conditions, may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for the relevant Noteholders, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the relevant Noteholders pursuant to all sales or transfer or redemptions of the Notes carried out during any given tax year. Relevant Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, relevant Noteholders may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the "***risparmio amministrato***" regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or transfer or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by relevant Noteholders who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called "***risparmio gestito***" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211–215) of the Finance Act 2019 and Ministerial Decree of 30 April 2019, as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Any capital gains realised by a Noteholder which is an Italian Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Italian Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax (with certain adjustments).

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in the Finance Act 2017 or in the Finance Act 2019 and Ministerial Decree of 30 April 2019, as subsequently amended, depending on the date of incorporation of the relevant "*piano di risparmio a lungo termine*".

Furthermore, subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation on distribution made by certain collective investment funds which mainly invests in specific qualified assets and hold (not mainly) notes.

Any capital gains realised by Italian resident real estate fund and the Real Estate SICAFs to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund or Real Estate SICAFs.

Capital gains realised by non Italian resident Noteholders from the sale, early redemption or redemption of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are traded on regulated markets.

Capital gains realised by non Italian resident Noteholders from the sale, early redemption or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of establishment.

If none of the conditions above are met, capital gains realised by non Italian resident Noteholders from the sale or transfer or redemption of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale, early redemption or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale, early redemption or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives in law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

A particular regime could be applicable in relation to the indirect donation ("*liberalità indirette*").

Moreover, Law No. 112 of 24 June 2016 provides some specific reliefs for contribution in trust incorporated in favour of persons with severe disabilities.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a lump sum of €200.00; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty (bollo)

Pursuant to Article 13 of the Tariff attached to Presidential Decree No. 642 of 26 October 1972 ("**Decree 642**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited therewith and in any case once per year. As of 1 January 2014, the stamp duty applies at a rate of 0.2 per cent. and, for taxpayers different from individual, cannot exceed €14,000; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a "client" (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad (IVAFE)

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.. In this case the above mentioned stamp duty provided for by Article 13 of the Tariff attached to Decree 642 does not apply.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Are excluded from the scope of the Wealth Tax the financial assets held abroad if administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above mentioned stamp duty provided for by Article 13 of the Tariff attached to Decree 642 does apply.

Tax monitoring obligations

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return) the amount of investments (including the Notes) directly or indirectly held abroad.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries.

EU Savings Tax Directive and exchange of information regime

On 10 November 2015, the Council of the European Union adopted a Council Directive (EU) 2015/2060 of 10 November 2015, which repeals (from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States) the EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Tax Directive") in order to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime provided by Council Directive 2011/16/EU as amended by Council Directive 2014/107/EU ("**Amending Directive**").

Under EU Savings Tax Directive Member States were required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity known as "residual entities" as defined in article 4.2 of the EU Savings Tax Directive established in that other Member State.

A number of non EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. Furthermore, the EU and Switzerland, entered into an agreement for exchange of information as of 1 January 2017.

In particular, on 24 March 2014, the Council of the European Union formally adopted the Amending Directive which has amended the Council Directive 2011/16/EU in accordance with the Global Standard released by Organization for Economic Co-operation and Development in July 2014 (Common Reporting Standard). Member States had until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Implementation in Italy of the Amending Directive and exchange of information

Article 28 of Law 7 July 2016, No. 122 (published on the Italian Official Gazette 8 July 2016, No. 158 and in force as of 23 July 2016) as of 1 January 2016, repeals the Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**") which implemented in Italy the EU Savings Directive. Such law also set forth some specific rules governing the transitional period.

Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualified as beneficial owners of the interest payment and were resident for tax purposes in another Member State, Italian qualified paying agents had to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and had not to apply the withholding tax. Such information was transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

On 9 July 2015, the Italian Parliament adopted Law No. 114, which delegates the Italian Government to implement in Italy, certain EU Directives, including the Amending Directive, by January 1, 2016.

Such Law delegates the Italian Government to implement in Italy the Amending Directive, which is aimed at broadening the intra-EU automatic exchange of information, in order to fight cross-border tax fraud and evasion.

With Ministerial Decree 28 December 2015 (published on the Italian Official Gazette 31 December 2015, No. 303) Italy has implemented the Amending Directive as of 1 January 2016. In this respect, the Ministerial Decree 24 April 2018 (published on the Official Gazette No. 104 of 7 May 2018) amended the Ministerial Decree 28 December 2015, updating the list of (i) jurisdictions that are object of automatic exchange of information and of (ii) jurisdictions with which such exchange takes place ("*giurisdizioni partecipanti*").

Furthermore, Italy entered into several agreements for exchange of information also with non EU countries.

Investors should consult their professional advisers also on this respect.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear.

According to what reported the Note No. 15082/18 released on December 6, 2018, Council of the European Union clarified that at the High-Level Working Party on tax question, participating Member States indicated that they are evaluating the impact of the latest

international developments and possible options, in particular as far as FTT revenue expectations are concerned.

Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States Account**" of the Issuer (a "**Recalcitrant Holder**"). The Issuer does not expect to be classified as an FFI that is subject to withholding under FATCA.

The FATCA regime is now in effect and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "**Model 1**" and "**Model 2**" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes (unless it has agreed to do so under the U.S. "**qualified intermediary**," "**withholding foreign partnership**," or "**withholding foreign trust**" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an agreement (the "**US Italy IGA**") based largely on the Model 1 IGA on 10 January 2014. Nevertheless the full impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is – at this stage – not completely clear.

While not expected, if the Issuer is treated as an FFI that is subject to withholding under FATCA, the Issuer would expect to be treated as a Reporting FI pursuant to the US Italy IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, the depositary, common depositary or common safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., BNP Paribas, UniCredit Bank AG and Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank Ireland PLC, Barclays Bank PLC, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International, Mediobanca – Banca di Credito Finanziario S.p.A., MPS Capital Services Banca per le Imprese S.p.A., Morgan Stanley & Co. International plc, Natixis, Société Générale and Unione di Banche Italiane S.p.A (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 15 July 2019 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Dealer Agreement provides that the obligations of the initial purchasers to subscribe for Notes are subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel.

United States of America: *Regulation S Category 1/2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(b) ***Qualified investors***: at any time to any legal entity which is a qualified investor as

defined in the Prospectus Directive;

(c) ***Fewer than 150 offerees***: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) ***Other exempt offers***: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) ***No deposit-taking:*** in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 (in each case, as amended from time to time) and any other applicable laws and regulations;

(b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) or another Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base

Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing and admission to trading

Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purpose of the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended).

However, Notes may be issued pursuant to the Programme which are admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system as the Issuer(s) and the relevant Dealer(s) may agree or which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

The CSSF may at the request of the Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; and (ii) an Attestation Certificate.

Authorisation

The update of the Programme was authorised by (i) a resolution of the Board of Directors of the Issuer dated 28 May 2015 and (ii) a resolution of the Board of Directors of the Issuer dated 6 May 2019 (which resolution authorised also the increase of the Programme amount). The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer-Litigation*" starting on page 133 of this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Group.

Significant/Material Change

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer nor since 31 March 2019 has there been any significant change in the financial or trading position of the Issuer and the Group.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2017 and 2018 have been audited without qualification by PricewaterhouseCoopers S.p.A. ("**PwC**"), which was appointed as the Group's new Auditors for a term of nine financial periods (2017-2025) by the Issuer's Shareholders' Meeting of 27 April 2017. PwC is authorised and regulated by The Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms held by the MEF. The registered office of PwC is Via Monte Rosa 91, 20149 Milan, Italy.

Documents on Display

Copies of the following documents (together, where appropriate, with English translations thereof may be inspected during normal business hours at the offices of the Fiscal Agent at 60 avenue J.F. Kennedy, L-1855 Luxembourg for 12 months from the date of this Base Prospectus:

(a) the by-laws (*Statuto*) of the Issuer;

(b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2017 and 2018;

(c) the most recent annual consolidated financial information of the Issuer published from time to time, commencing with its audited annual consolidated financial statements as at and for the year ended 31 December 2018;

(d) the Agency Agreement;

(e) the Deed of Covenant;

(f) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

(g) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream with respect to the settlement in Euroclear and/or Clearstream of Notes in New Global Note form).

Material Contracts

Save as disclosed in "*Description of the Issuer – Material Contracts*" starting on page 139 in this Base Prospectus, and any supplement hereto, neither the Issuer nor any of its Subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue Price and Yield

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Potential Conflicts of Interest

Certain of the Dealers and their respective affiliates, including their parent companies, have engaged, and may in the future engage, in investment banking and, commercial banking transactions with, and may perform services for, or may have provided financing to, and/or other related transactions with the Issuer and its affiliates, including its parent company, and may in the future perform services for them, in each case in the ordinary course of business. Furthermore, certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including their parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates or any entity related to the Notes. Certain of the Dealers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term "affiliates" includes also parent companies.

Furthermore, each of Intesa Sanpaolo S.p.A. and Banca IMI S.p.A. (one of the Dealers under the Programme and belonging to the Intesa Sanpaolo banking group) has extended certain loans to the Issuer and the net proceeds of the issue of the Notes may be used by the Issuer to repay such loans in whole or in part (as further described in "*Use of Proceeds*"). In addition, the Dealers expect to receive customary fees and commissions for the issuance of the Notes offered hereby.

In particular, one or more of the companies of the Intesa Sanpaolo Group have granted significant financing to Issuer and its parent and group companies and they are one of their main financial lenders.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 549300Q3448N041CTH56.

REGISTERED OFFICE OF THE ISSUER

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ARRANGERS

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BNP Paribas Securities Services, Luxembourg Branch
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To the Dealers as to English and Italian law:

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To the Issuer as to Italian tax law

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LUXEMBOURG LISTING AGENT

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