FIRST SUPPLEMENT DATED 27 JANUARY 2020

TO THE BASE PROSPECTUS DATED 15 JULY 2019

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 Supplement to the Base Prospectus (the "**Supplement**") constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities which remains applicable pursuant to article 64 of the Luxembourg Law dated 16 July 2019 (the "**Prospectus Law**") and is prepared in connection with the Base Prospectus dated 15 July 2019 (the "**Base Prospectus**") to the €4,000,000,000 Euro Medium Term Note Programme (the "**Programme**") of Acea S.p.A. ("**Acea**" or the "**Issuer**").

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg.

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

This Supplement is supplemental to, and should be read and construed in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus (but not herein) shall have the same meaning when used in this Supplement.

Save as disclosed in this Supplement (and in the documents incorporated by reference as described below), there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus.

This Supplement has been produced for the purpose of amending and supplementing the following sections of the Base Prospectus:

- Information Incorporated by Reference;
- Alternative Performance Measures;
- Description of the Issuer;
- General Information; and
- Taxation.

INFORMATION INCORPORATED BY REFERENCE

The information set out below supplements the section of the Base Prospectus entitled "Information Incorporated by Reference" on pages 40 and 41 of the Base Prospectus.

Acea: 2019 Interim Condensed Consolidated Financial Statements Press Release

On 31 July 2019, Acea published on its website a press release relating to its 2019 Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2019 (the "**H1 2019 Financial Statements**"), entitled "*Acea: Board approves 2019 half-year results*" (the "**H1 2019 Financial Statements Press Release**") and available at https://www.gruppo.acea.it/content/dam/acea-corporate/acea-foundation/pdf/en/company/media/comunicati-ps/2019/07/AceaCPS-31072019-en.pdf. The H1 2019 Financial Statements have not been audited. The relevant sections of the H1 2019 Financial Statements Press Release of the Issuer are incorporated by reference in this Supplement.

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 document. 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.

Any non-incorporated parts of a document (which, for the avoidance of doubt, means any parts not listed in the cross-reference list below) referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

Document	Information incorporated	Page numbers
H1 2019 Financial Statements Press Release	*Acea Group results for 1H 2019*	2-3
	Significant events during the period and after 30 June 2019	4-5
	Consolidated Income Statement at 30 June 2019	7
	Consolidated Statement of Financial Position at 30 June 2019	8
	Statement of Changes in Shareholders' equity	9
	Reclassified Consolidated Statement of Financial Position at 30 June 2019	10
	Analysis of Consolidated Net Debt at 30 June 2019	11
	Statement of Consolidated Cash Flows for the period ended 30 June 2019	12

Acea: Interim Report on Operations as at 30 September 2019 Press Release

On 13 November 2019, Acea published on its website a press release relating to its Interim Report on Operations as at 30 September 2019 (the "**Q3 2019 Interim Report**") , entitled "*Acea: Board of Directors approves results for the nine months ended 30 September 2019*" (the "**Q3 2019 Interim Report Press Release**") and available at https://www.gruppo.acea.it/content/dam/acea-corporate/acea-foundation/pdf/en/company/media/comunicati-ps/2019/11/AceaCPS-13112019-en.pdf. The Q3 2019 Interim Report has not been audited. The relevant sections of the Q3 2019 Interim Report Press Release of the Issuer are incorporated by reference in this Supplement.

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 document. 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.

Any non-incorporated parts of a document (which, for the avoidance of doubt, means any parts not listed in the cross-reference list below) referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

Document	Information incorporated	Page numbers
Q3 2019 Interim Report Press Release	*Acea Group results for 9M 2019*	2-3
	Significant events during and after the first nine months of 2019	
	Consolidated Income Statement at 30 September 2019	4-5
	Consolidated Statement of Financial Position at 30 September 2019	7
	Statement of Changes in Shareholders' equity	8
	Reclassified Consolidated Statement of Financial Position at 30 September 2019	9
	Analysis of Consolidated Net Debt at 30 September 2019	10
	Statement of Consolidated Cash Flows for the period ended 30 September 2019	11
		12

Copies of the documents specified above as containing information incorporated by reference in this Supplement 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).

Alternative Performance Measures

The information set out below replaces the section of the Base Prospectus entitled "Alternative Performance Measures" on pages 4 and 5 of the Base Prospectus.

"In order to better evaluate Acea's financial information incorporated by reference in the Base Prospectus, management has identified several Alternative Performance Measures ("**APMs**"). Management believes that these APMs provide additional useful information for investors to analyse the Acea Group's financial position, financial performance and cash flows, because they may further 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 the management of the Issuer to monitor the Acea Group's financial and operating performance:

- for the Acea Group, the gross operating profit (or EBITDA) is a key operating performance indicator and, from 1 January 2014, 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) and Current borrowings and Other current financial liabilities net of Current financial assets and 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 prepared in accordance with IFRS and are not subject to audit; they are derived from the financial information of Acea for the relevant periods presented;

iii. the APMs are non-IFRS financial measures and are not recognised as measures of financial position, financial performance or liquidity under IFRS, and they should not be considered as substitutes to performance measures prepared in accordance with IFRS or any other generally accepted accounting principles; and

iv. the APMs should be read together with the financial statements of Acea for the relevant periods to which the APMs relate.

Since not all companies calculate APMs in an identical manner, the APM's used by Acea may not be consistent or comparable with similar measures used by other companies. Therefore, undue reliance should not be placed on these measures."

DESCRIPTION OF THE ISSUER

The information set out in the section entitled "Recent Developments" on page 140 of the Base Prospectus shall be supplemented with the addition of the following information:

"**Resignation of Board Member Fabrice Rossignol**

On 11 December 2019, Mr. Fabrice Rossignol resigned from the office of Director with immediate effect.

Appointment of Board Member Diane Galbe

On 11 December 2019, the Board of Directors appointed by co-option, approved by the Board of Statutory Auditors, Ms. Diane Galbe as a new director in substitution of Mr. Fabrice Rossignol who resigned on the same date. Diane Galbe will remain in office until the next shareholders' meeting. As a result of the above changes, the Board of Directors appointed Mr. Giovanni Giani as member and coordinator of the Related Party Committee, which, therefore, is now composed of Mr. Giovanni Giani, Ms. Gabriella Chiellino and Mr. Massimiliano Capece Minutolo Del Sasso."

GENERAL INFORMATION

On page 232 of the Base Prospectus, the paragraph headed "Significant/Material Change" shall be deleted and replaced as follows:

"**Significant / Material Change**

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer nor since 30 September 2019 has there been any significant change in the financial or trading position of the Issuer and the Group."

TAXATION

The section on pages 215-216 of the Base Prospectus entitled "*Taxation in the Republic of Italy – Italian resident Noteholders*" shall be replaced as follows:

"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**"), or in Article 13-bis of Decree-Law no. 124 of 26 October 2019 (the "**Tax Decree 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, or in Article 13-bis of Decree-Law no. 124 of 26 October 2019 (the "**Tax Decree 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."

The section on pages 216-218 of the Base Prospectus entitled "*Taxation in the Republic of Italy – Non Italian tax resident Noteholders*" shall be replaced as follows:

"Where the Noteholder is a non Italian tax resident, without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non Italian tax resident beneficial owner is either

(a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as listed in the Italian Ministerial Decree dated 4 September 1996 as recently amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to

time periodically according to Article 11(4)(c) of Decree 239 as amended by Legislative Decree No. 147 of September 2015; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) a Central bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(d) 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.

In order to ensure gross payment, certain procedural requirements must be satisfied. In brief, non resident investors must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a bank or a SIM or a permanent establishment in Italy of a non resident bank or SIM or with a non resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) timely file with the relevant depositary a statement of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be eligible to (and requires) benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December 2001. In any case specific procedures shall have to be verified on a case by case basis.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to interest, premium or other income paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Noteholder.

Furthermore, on 7 June 2017, over 70 states signed the Multilateral Convention to implement tax treaty related measures to prevent base erosion and profit shifting"

The section on pages 218-221 of the Base Prospectus entitled "*Taxation in the Republic of Italy – Capital gains*" shall be replaced as follows:

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, or in Article 13-bis of Decree-Law no. 124 of 26 October 2019 (the "**Tax Decree 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, or in Article 13-bis of Decree-Law no. 124 of 26 October 2019 (the "**Tax Decree 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.

The section on pages 224-225 of the Base Prospectus entitled "*Taxation in the Republic of Italy* – The proposed financial transactions tax ("**FTT**") shall be replaced as follows:

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.

On December 9, 2019, the German Finance Minister, Olaf Scholz, issued a revised proposal for a Council Directive regarding the introduction of a common FTT to the participating Member States in the so-called enhanced cooperation procedure. According to specialized press release the revised proposal should include an optional exemption for pension schemes and a new system for mutualization of the FTT revenues. Moreover further exclusions are under discussion.

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.

* * *

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus, as amended by this Supplement, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

The Issuer will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the written or oral request of such person, a copy of the documents incorporated by reference in this Supplement. Written or oral requests for such information should be directed to the specified office of the Fiscal Agent (see page 236 of the Base Prospectus) or the specified office of the Fiscal Agent in Luxembourg (see page 236 of the Base Prospectus).

Copies of the Base Prospectus and this Supplement, together with the documents incorporated by reference in this Supplement, incorporated by reference herein in its entirety, are available on the website of the Luxembourg Stock Exchange (www.bourse.lu).