BASE PROSPECTUS

A2A S.p.A.

(*incorporated with limited liability in the Republic of Italy*)

€3,000,000,000
Euro Medium Term Note Programme

Under this €3,000,000,000 Euro Medium Term Note Programme (the **Programme**), A2A S.p.A. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" 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, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to all Notes other than Exempt Notes will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Official List of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

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.

The Issuer has been rated Baa3 (long-term) and P-3 (short-term) by Moody's Investor Service Ltd. (**Moody's**) and BBB (long-term) and A-2 (short-term) by Standard & Poor's Rating Services S.r.l. (**Standard & Poor's**). The Programme has been rated (P)Baa3 (long-term) and (P)P-3 (short-term) by Moody's and BBB by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. 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.

Co-Arrangers

Banca IMI **BNP PARIBAS** **Mediobanca**

Dealers

Banca Akros S.p.A. – Gruppo Bipiemme - Banca Popolare di Milano

Banca IMI

Banco Bilbao Vizcaya Argentaria, S.A.

BNP PARIBAS

Crédit Agricole CIB

Deutsche Bank

Mediobanca

Morgan Stanley

Société Générale Corporate & Investment Banking

UBIBanca

UniCredit Bank

The date of this Base Prospectus is 25 November 2013.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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 this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In respect of information in this Base Prospectus that has been extracted from a third party, 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 third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to 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.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including, without limitation, the United Kingdom, the Republic of Italy and France) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for 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, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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 light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has 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;

(ii) has 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;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Exempt 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 Exempt Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Exempt Notes will perform under changing conditions, the resulting effects on the value of the Exempt Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal and tax advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The 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, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Presentation of Financial Information

The Group's financial information as at and for the six months ended 30 June 2013 included in this Base Prospectus has been derived from the consolidated financial statements as at and for the six months ended 30 June 2013 that has been prepared:

- in compliance with Legislative Decree no. 58/1998 (art. 154-ter) as amended and with the Issuers' Regulations published by Consob;

- in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union and in particular IAS 34. IFRS means all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

The Group's consolidated financial statements as at and for the six months ended 30 June 2013, together with the consolidated financial statements as at and for the years ended 31 December 2011 and 31 December 2012, are incorporated herein by reference (see "*Documents Incorporated by Reference*").

Investors should refer to the consolidated financial statements which are incorporated by reference herein (see "*Documents Incorporated by Reference*") to inform themselves regarding the purposes, and the manner of preparation, of such consolidated financial statements.

Such financial statements have been prepared to give a full and fair view of the Group, and they have not been prepared for the purpose of reporting separately on any subset of such Group.

The following changes have taken place in the consolidation scope for the six months ended 30 June 2013 compared to the corresponding period of the previous year:

a) the shareholding in A2A Coriance S.a.s., the parent of the Coriance Group, was sold in September 2012. In accordance with IFRS 5, the relative income statement items for operating income and expense and the financial balance were reclassified to "Net result from non-current assets sold or held for sale" in the six months ended June 30, 2012;

b) the shareholding in Metroweb S.p.A. has been sold; this was accounted for using the equity method in the corresponding period of the previous year;

c) sale of Chi.Na.Co S.r.l., to which A2A S.p.A. had contributed five small hydroelectric plants;

d) non-proportional partial demerger of Edipower S.p.A.

a) Sale of 100% of A2A Coriance S.a.s.

The sale of A2A Coriance S.a.s. by A2A S.p.A. to KKR Global Infrastructure Investors L.P. (KKR) was completed on September 27, 2012 on the basis of the agreements signed by the parties on August 2, 2012. A2A S.p.A. originally acquired A2A Coriance S.a.s., a company operating in France in district heating and the production of electricity from cogeneration plants, in July 2008.

A price of 76.5 million euro was paid for 100% of the capital of A2A Coriance S.a.s. leading to a gain of 33 million euro. The Coriance Group had a turnover of approximately 100 million euro in 2011 and earned gross operating income of approximately 18 million euro.

The sale of A2A Coriance S.a.s. forms part of a strategy aimed at reorganizing the A2A Group's shareholding portfolio and achieving a rapid improvement in its balance sheet and financial structure.

b) A2A S.p.A. exercised its put option for 25.7% of Metroweb S.p.A. and sold the investment to the F2i infrastructure fund

On November 27, 2012 A2A S.p.A. exercised its put option to sell its shareholding (of 25.7%) in Metroweb S.p.A. to the fund F2i Reti Tlc S.p.A.. The shares forming part of the option derived from the conversion on October 6, 2011 of the convertible bond which A2A S.p.A. had been holding since the sale of its initial shareholding in Metroweb S.p.A. to F2i on June 30, 2011. Exercising this option was consistent with the business plan drawn up by A2A S.p.A. and, in particular, with its objective of rapidly improving and stabilizing its financial situation. A2A S.p.A. received proceeds of 60 million euro from exercising the option in December 2012 and realized a capital gain of 35 million euro.

c) A2A S.p.A. sold five small hydroelectric plants

On July 5, 2013 A2A S.p.A. completed the sale to the Swiss group BKW of the wholly owned company Chi.Na.Co S.r.l., to which A2A S.p.A. had contributed five small hydroelectric run-of-river plants having installed power of approximately 8 MW, for a consideration of 38 million euro.

In 2012 the plants produced 37 GWh of electricity, with revenues of around 4 million euro and an EBITDA of 3.1 million euro.

A2A S.p.A. considered that the best offer was made by BKW not only from an economic point of view but also in terms of continuity of plant operations. In fact, BKW is a leading operator in the sector, with over 3,000 employees and has had a direct presence in Italy for more than 13 years.

By means of this sale, A2A S.p.A. had further implemented its strategy of rationalisation of its industrial portfolio and debt reduction, in line with the "Business Plan 2013-2015".

Establishment of A2A Ambiente S.r.l.

On 1 July 2013, A2A Ambiente S.r.l. was established, as announced in the "Business Plan 2013-2015" and was then transformed into A2A Ambiente S.p.A.. For further information on A2A Ambiente S.p.A., see "*Description of the Issuer*", below.

d) Non-proportional partial demerger of Edipower S.p.A.

In execution of the agreements signed between A2A and Iren at the time of the acquisition of Edipower S.p.A. (**Edipower**), which took place on 24 May 2012, and following the exercise – occurred in January 2013 – of Iren's rights as provided for by that agreement, on October 24 Edipower and Iren Energia S.p.A. (**Iren Energia**) signed the deed for the non-proportional partial demerger of Edipower S.p.A.

For further information see "*Description of the Issuer - History and Recent Development of the Issuer - Non proportional partial demerger of Edipower S.p.A*" below.

Presentation of Other Information

In this Base Prospectus:

- all references to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars;
- all references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- certain figures 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;
- 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.

Forward-Looking Statements

This Base Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" or similar words. These statements are based on the Issuer's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

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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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended 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 persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW 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 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 Overview.

Issuer:	A2A S.p.A.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include, among others, risks relating to changes to the overall economic situation caused by the economic crisis; risks relating to the revision of tariffs in the waste, water and energy sectors; risks relating to rendering concessions necessary for the Group to continue to engage in the business described in this Base Prospectus; and risks relating to changes in the regulatory and legislative framework within which the Group operates. 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
Arrangers:	Banca IMI S.p.A., BNP Paribas and Mediobanca – Banca di Credito Finanziario S.p.A.
Dealers:	Banca Akros S.p.A. – Gruppo Bipiemme - Banca Popolare di Milano Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. BNP Paribas Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Mediobanca – Banca di Credito Finanziario S.p.A. Morgan Stanley & Co. International plc Société Générale UniCredit Bank AG Unione di Banche Italiane S.C.p.A. and any other Dealers appointed in accordance with the

	Programme Agreement.
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** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may, from time to time, increase the amount of the Programme in accordance with the terms of the Programme 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:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
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 (or, in the case of Exempt Notes, a partly-paid) basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".

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 the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
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 a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. 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 the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Exempt Notes:	The Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments. ***Index Linked Notes***: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree. ***Dual Currency Notes***: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

	Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree. ***Notes redeemable in instalments***: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree. The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, 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. 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).
Relevant Event Put:	The applicable Final Terms may provide that, upon the occurrence of a Put Event (as described below), Notes will be redeemable at the option of the Noteholders upon giving notice to the Issuer on a date or dates specified prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Final Terms.

	A Put Event will be deemed to have occurred if any of (A) a Change of Control, a Concession Event or a Sale of Assets Event (each a Relevant Event, as described in Condition 6.4) occurs, (B) at the time of the occurrence of the Relevant Event, a Rating Event (as defined in Condition 6.4) occurs, and (C) in making the relevant decision relating to the Rating Event (as defined in Condition 6.4), the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision resulted, in whole or in part, from the occurrence of the Relevant Event.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*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 3 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme has been rated (P)Baa3 (long-term) and (P)P-3 (short-term) by Moody's and BBB by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation. Series of Notes issued under the Programme may be rated or unrated by anyone or both rating agencies referred to above. Where a Series of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the ratings assigned to the Programme and/or to the Issuer by the relevant rating agency. 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.

Listing and Admission to Trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. 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.
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 15 (*Meetings of Noteholders, Modifications and Waivers*) 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, without limitation, the United Kingdom, France and the Republic of Italy) and 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/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. Some of these 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.

These are the principal risks that the Issuer considers to be material; however, there may be additional risks of which the Issuer is not currently aware or that 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, and any of these risks could also have a negative effect on the ability of the Issuer to fulfil its obligations under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

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

Risks related to the Issuer and/or the Group

The Group's business may be adversely affected by the current disruption in the global credit markets and associated impacts

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets and continue to affect the functioning of financial markets and to impact the global economy. In particular, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Portugal, Spain and Italy, which created concerns about the ability of these European Union states to continue to service their sovereign debt obligations. Despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including the Republic of Italy, and their ability to meet future financial obligations, given the diverse economic and political circumstances in individual member states of the Eurozone. It remains difficult to predict the effect of these measures on the economy and on the financial system, how long the crisis will exist and to what extent the Issuer's business, results of operations and financial condition may be adversely affected. Even if such measures are implemented, there is no guarantee that such measures will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations.

There can be no assurance that the difficulties in the European market will not worsen, nor can there be any assurance that current or future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets and secure the position of the Euro. The continuing difficulties and slowdown in the economy, the substantial bailouts of financial and other institutions by governments as

well as measures designed to reignite economic growth have led to significant increases in the debt of several countries. As a consequence, various countries of the Eurozone (including Italy) have had their credit ratings downgraded in recent months by the main rating agencies due to the escalation of their sovereign debt levels, political uncertainty regarding reform prospects of the Eurozone and concern over the Eurozone's increasingly weak macroeconomic prospects.

As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

The Group's business, financial condition, results of operations and liquidity may be adversely affected by a continuation or worsening of the current unfavourable global economic conditions and the current disruption in the global credit market

Conditions in Euro-zone countries deteriorated in 2011 amid rising yields on certain sovereign debt instruments issued by certain Euro-zone states, including the Republic of Italy, and the market perception that the single European currency was facing an institutional crisis of confidence related to contagion from sovereign debt. Such deterioration continued in 2012 and raised concerns regarding the financial condition of European financial institutions and, in particular, their exposure to such countries and such concerns may have an impact on the ability of the Issuer to fund its business via such financial institutions in a similar manner and at a similar cost to the funding raised in the past. Due to these concerns, the financial markets and the global financial system in general were impacted by significant turmoil and uncertainty resulting in wide and volatile credit spreads, in particular on the sovereign debt of many European Union countries, a fall in liquidity and a consequent increase in funding costs, difficulties in accessing the market as well as increased instability in the bond and equity markets and a lack of price transparency in the credit markets. Changes in financial and investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Group. In addition, credit has also contracted in a number of major European markets, including Italy, and global unemployment rates have increased significantly. If these conditions continue, or worsen, they could negatively affect the financial performance of the Group and its ability to raise funding in the debt capital markets and/or access bank lending markets in the countries and currencies in which we borrow on financial terms acceptable to the Group, particularly in those countries that are most significantly impacted.

The changes to the overall economic situation caused by the economic crisis pose potential risks to the Group's business

The consumption of electric energy and gas is generally correlated to gross domestic product. The recent global economic and financial crisis is characterised by a deterioration of the macroeconomic conditions that have led to a contraction in consumption and industrial production worldwide. This has led to a general trend of reduction in the demand for electric power and natural gas and the Issuer expects that, for the remainder of 2013 and for the near future, demand for energy may be below the levels observed before the economic crisis. In addition, the decrease in demand for energy has increased pressure on sales margins, due also to increased competition, particularly in the natural gas fired generation plants. It is possible that such pressure will continue. Following the acquisition of Edipower, the size of the energy portfolio of A2A has increased, giving rise to a potential increase of the exposure to the foregoing risks at Group level. In the event that the negative trend in demand for energy and/or in sales margins continues, it could result in lower sales volumes of electric power and natural gas by A2A and in a reduction of the Group's overall sales margins. This could have a material adverse effect on A2A's economic and financial condition and its ability to meet its obligations under the Notes.

Furthermore, consumption may vary substantially according to factors outside of A2A's control, such as overall economic activity and the weather. Sales volumes may differ from the supply volumes that A2A had expected to utilise from electricity purchase contracts. Differences between actual sales volumes and supply volumes may require A2A 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 or sale of excess electricity on unfavourable terms could adversely affect the business, results of operations and financial condition of A2A.

The foregoing risk factors could adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

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

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, co-generation and waste-to-energy plants, 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 which are beyond the control of A2A and may result in increased costs, compensation to users of the grid that suffered service interruptions exceeding the maximum thresholds set by the competent energy authority and other losses. Furthermore, any of these risks could cause damage or destruction of the Group's facilities and, in turn, injuries to third parties or damage to the environment, along with ensuing lawsuits and penalties imposed by the relevant Authorities. The Issuer's insurance coverage may prove to be insufficient to fully compensate for such losses.

The Issuer believes that its systems of prevention and protection within each Group 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. There can be no guarantee, however, that maintenance and spare parts' 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 adversely affect the business, results of operation and financial condition of A2A and its Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

Risk of operations and/or risks relating to interruptions in service at its facilities or plants

A2A's core business includes building and managing technologically complex facilities for the production of electric power and heat that are interconnected along the entire length of the value chain. The Group is continuously exposed to the risk of malfunctions and/or interruptions in service resulting from events outside of the Group's control. The risk of losses or damages can arise from extreme weather phenomena, natural disasters, fire, terrorist attacks, accidents, labour disputes and mechanical breakdown as well as the unexpected unavailability of one or more pieces of equipment of critical importance for the productions process caused by material damages to the equipment or specific components of it. Any such events could result in economic losses and/or cost increases. Additionally, service interruptions or malfunctions — or casualties or other significant events — could result in the Group being exposed to litigation, which could generate obligations to pay damages. Prevention and control activities designed to contain the frequency of such events or minimise their impact require the adoption of high security standards, as well as frequently scheduled equipment overhauls, contingency planning, maintenance and back-up of components needed to

guarantee operational continuity. When appropriate, adequate risk management policies and *ad hoc* industrial insurance policies help to minimise the potential consequences of such damaging events. Should the insurance coverage proved to be insufficient to fully offset the cost of paying such damages, the occurrence of one or more of the events described above, or other similar events, could have a material adverse effect on the business prospects, results of operations and financial condition of A2A and the Group, thus affecting the Issuer's ability to repay the Notes at maturity.

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

Credit risk represents A2A's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. This risk arises primarily from economic/financial factors (i.e., where the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.). The Group's exposure to credit risk is due mainly to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. To control this risk, a central Group credit policy regulates 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. Standard default interest is charged on late payments. Notwithstanding the foregoing, a single default by a major financial counterparty, or a significant increase in current default rates by counterparties generally, could adversely affect the business, 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 repay the Notes in full at their maturity.

Ratings risk

As at the date of this Base Prospectus, the long-term debt credit rating assigned to A2A is "Baa3" by Moody's and "BBB" (negative outlook) by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published on the European Securities and Markets Authority website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Generally, a credit rating assesses the credit worthiness of an entity and informs an investor about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to A2A at the date of this Base Prospectus or to other Notes issued under the Programme.

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. The Issuer's future ability to access capital markets, other financing instruments and related costs may depend, *inter alia*, on the credit rating assigned to A2A. Accordingly, a downgrade of A2A's rating by Moody's and/or Standard & Poor's may increase costs of funding and/or refinancing of debt or even jeopardise further issuances. The prices of the existing bonds may deteriorate following a downgrade.

In addition, the Issuer's credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by Standard & Poor's and Moody's, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit rating of

Italian issuers, such as the Issuer, and increase the likelihood that the credit rating of Notes could be downgraded, with a consequent adverse effect on the market value of the Notes.

Liquidity and funding risks

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or the Issuer may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it may not be able to meet its payment commitments. This may materially and adversely affect the Issuer's results of operations and financial condition should the Issuer be obliged to incur extra costs to meet its financial commitments or, in extreme cases threaten the Issuer's future as a going concern and lead to insolvency. The Issuer's approach to liquidity risk is to have a financial structure which ensures an adequate level of liquidity for the Group and a balance in terms of duration and composition of its debt in line with its business objectives. The Group's policies are aimed at diversifying the due dates of its debt and funding sources and rely on liquidity buffer to meet unexpected commitments. However, these measures may not be sufficient to cover such risk. To the extent they do not, this may have an adverse effect on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer's ability to borrow in the bank or capital markets to meet the financial requirements of the Group is also dependent on, among other things, favourable and prevailing market conditions and the then current rating of the Issuer. There are no guarantees that the Issuer will be capable of obtaining loans and financing from other sources under the same or better conditions as currently. This may adversely affect the Issuer's results and financial condition. If sufficient sources of financing are not available in the future for these or other reasons, A2A and its Group may be unable to meet its funding requirements, which could materially and adversely affect its results of operations and financial condition. Borrowing requirements of the A2A Group's companies are pooled by the Group's central finance department in order to optimise the use of financial resources and manage net positions and the funding of portfolio consistently with management's plans while maintaining a level of risk exposure within prescribed limits.

A2A's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources; however, these measures may not be sufficient to fully protect A2A and its Group from such risk. To the extent they do not, this may have an adverse effect on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Interest rate risk

The Group is subject to interest rate risk arising from its financial indebtedness which varies depending on whether such indebtedness is at fixed or floating rate. Changes in interest rates affect the market value of financial assets and liabilities of the Group and the level of finance charges. In order to analyse and manage the interest rate risk, the Group has developed an internal model enabling the exposure to this risk to be calculated using the so-called "Montecarlo method"[1], assessing the effects that fluctuations in interest rates will have on future cash flows. The Group's interest rate risk management policy is to minimise volatility by selecting a balanced mix of fixed and floating rate loans and by additionally using hedging derivative instruments with the aim of achieving financial structure objectives defined and approved in the management's finance plans.

A2A enters into interest rate derivative transactions, in particular interest rate swaps, to effectively manage the balance between fixed and floating rate debt. Such derivatives are evaluated at fair value on the basis of market prices provided from specialised sources. There can be no guarantee that the hedging policy adopted by the Issuer, which is designed to minimise any losses connected to fluctuations in interest rates in the case

[1] The so-called "Montecarlo method" is used within an internal model in order to assess the potential risk exposure, allowing for the calculation of the effects that fluctuations in interest rates might have on future cash flows. Under this methodology at least ten thousand scenarios are simulated, on the basis of the historical volatilities and correlations, using market rate forward curves. This allows to obtain a probability distribution of the results from which the worst case scenario is extrapolated using a 99% confidence level.

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 may have an adverse effect on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The financing agreements that the Group has entered into contain restrictive covenants that limit its operations

The contracts related to the long-term financial indebtedness of the Group contain covenants that must be complied with by the respective borrowers. The failure to comply with any of them could constitute a default or trigger further constraining obligations on the respective borrowers and/or the Group as a whole, which could have a material adverse effect upon the Group, its business prospects, its financial condition or its results of operation. In addition, covenants such as "negative-pledge" clauses, "material change" clauses, "cross-default" clauses, "additional guarantees" clauses and "acceleration" clauses and covenants requiring the maintenance of particular financial ratios or credit ratings, constrain the Group's operations. Furthermore, the triggering of any early repayment obligation, caused by, *inter alios*, a change of control or a rating event with respect to certain credit lines could seriously impact the Group's financial position, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

Failure to properly manage energy risk (including commodity price risk) could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity

The Group faces commodity price risk, namely the market risk linked to fluctuations in the price of energy raw materials such as electricity, natural gas, coal, fuel oil as well as the by-products of these raw materials and exchange rates associated with them. In particular, in respect of the Group's electricity production, the regional rates charged for both base load and peak electricity services may decline periodically due to excess capacity arising from over-building of utility power plants or recessions in economic activity. Following the acquisition of Edipower S.p.A. the Group experiences a higher exposure to the energy market risk.

On annual basis, the Management Board of A2A establishes the commodity risk limits for the Group, namely the maximum level of variability in the result arising from changes in energy commodity prices. In accordance with the Group's energy risk policy, the Risk Committee ensures compliance with these limits and where necessary defines the hedging strategies aimed at bringing the risk within set limits. The risk of fluctuation in the price of raw materials is centrally managed by the Issuer, by constant monitoring the entire exposure of the Group's portfolio (including both positions on the physical market for energy products and positions held in energy derivatives) and by a netting process to be applied thereto.

However, there can be no guarantee that the relevant risk management policy adopted by the Issuer will actually succeed. Any failure to properly manage this risk, including through the Group's central risk management exposure hedging/netting function which is aimed, through the use of futures contracts and other hedging techniques, at stabilising cash flows generated by the Group's asset portfolio and outstanding contracts, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

Risks from acquisitions, integration and business combination

A2A monitors the core businesses in search of opportunities to acquire individual assets or corporations in order to achieve its growth targets or complement its asset portfolio. The acquisitions that A2A has already carried out will, and any future acquisitions may, result in a significant expansion and increased complexity of the Group's operations. Acquisitions require the integration and combination of different management, strategies, procedures, products and services, client bases and distribution networks, with the aim of streamlining the business structure and operations of the newly enlarged group. Acquisitions entail an execution risk, including the risk that the acquirer will not be able to integrate the purchased assets so as to

achieve expected synergies. Any joint investments realised under joint ventures and any other future investments in foreign or domestic companies may result in increased complexity of the Group's operations and there can be no assurance that such investments will be properly integrated with the Issuer's quality standards, policies and procedures to achieve consistency with the rest of the Group's operations. The process of integration may require additional investments and expenses. Failure to successfully integrate investments could have a materially adverse effect on the Group's business, financial condition and results of operations which could have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

In addition, during high oil price periods, acquisitions entail the financial risk of not being able to recover the purchase costs of acquired assets, where a prolonged decline in the market prices of oil and natural gas occurs. A2A may also incur unanticipated costs or assume unexpected liabilities and losses in connection with companies or assets it acquires. If the integration and financial risks connected to acquisitions materialise, the Issuer's financial performance may be adversely affected.

The Group is subject to legal proceedings which could adversely affect its consolidated revenues

Certain companies within the Group are parties to a number of disputes and legal proceedings, as well as some criminal and arbitral proceedings, arising in the ordinary course of the Group's business (for further information see "*Description of the Issuer — Legal Proceedings*", below). In addition to existing provisions accrued as of the balance sheet date to account for ongoing proceedings, it is possible that in future years the Group may incur significant losses in addition to amounts already accrued in connection with pending legal claims and proceedings due to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (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 effects 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 repay the Notes in full at their maturity.

Risks relating to the structure of the Group

The Issuer is organised as an operating parent company, owing real estate properties and assets in the electricity generation sector (i.e., hydro and thermo) and managing part of its diversified core business principally through wholly-owned subsidiaries, also due to unbundling legislation.

In particular, all corporate and staff services are fully centralised at the parent company level whereas sector-specific technical and commercial expertise is mainly held at the operating subsidiary level. Therefore the Issuer has service contracts with all its subsidiaries that formally set forth the intercompany relationships, tolling agreements with its subsidiary A2A Trading in respect of the several generation plants directly owned by the Issuer and has also implemented a zero-balance cash-pooling which enables to optimise the use of surplus funds of all subsidiaries in the Group in order to reduce external debt and increase liquidity (for further information, see " *Description of the Issuer*").

The Issuer's subsidiaries have no obligations, 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/might 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 subsidiary, and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets could be distributed upwards to its shareholders (i.e., the Issuer) upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it would be structurally subordinated to the prior payment of all debts and other liabilities of the Issuer's direct and indirect subsidiaries, which could be substantial.

Risks relating to the industries in which the Group operates

Hydrological droughts or other changes in weather and atmospheric conditions could materially adversely affect the Group's operations

The Group's electricity business is affected by atmospheric conditions such as the average temperatures influencing overall consumption needs. Significant changes in weather conditions from year to year may affect demand for natural gas and electricity, with demand in colder winters and hot summers being typically higher. In addition, weather changes can produce significant differences in energy demand and the Group's sales mix (for example, low wind or rain levels) and further affect the Group's production from certain renewable sources. In particular, the Group's operations involve hydroelectric generation in Italy and in Montenegro and, accordingly, the Issuer is dependent upon hydrological conditions prevailing from time to time in the geographic regions where the relevant hydroelectric generation facilities are located. Hydrological droughts or other changes in conditions that negatively affect the Group's hydroelectric generation business could materially adversely affect the Group's operations.

Any material weather phenomena that negatively affect the Group's hydroelectric generation business could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to meet its obligations under the Notes.

The Group is exposed to revision of tariffs in waste, water and energy sectors

The Group is exposed to a risk of variation of the tariffs applied to the end users. In the waste and water sector the tariffs payable by final customers are determined and adjusted by the relevant district authority and may be subject to variations as a consequence of periodic revisions resulting from investigations by the authority concerning, *inter alia*, efficiency improvements and the actual implementation of planned investments by the companies managing the integrated water service.

Decreases in tariffs could adversely affect the Group's business, results of operations and financial condition, with a consequent adverse impact on the market value of the Issuer.

The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity, natural gas and waste sectors poses a risk to the Group

Changes in applicable legislation and regulation, whether at a national or European level, 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. Any loss of concession currently held by the Group may adversely affect the Group's business, results of operations and financial condition. Such changes could include changes in tax rates, legislation, also involving an earlier termination of certain contracts assigned to and operated by the Group, changes in environmental or safety or other workplace laws or changes in regulation of cross-border transactions. Public policies related to energy, energy efficiency and/or air emissions may impact the overall market, particularly the governmental sectors. The Issuer is a regulated utility, operating its distribution activity under the jurisdiction of the Italian Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica ed il Gas* - **AEEG**), which itself operates according to guidelines and other provisions mandated by the Italian government. The Group therefore 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. 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 repay the Notes in full at their maturity.

The Group's regulated activities are dependent on concessions from local authorities (in the case of integrated water service, gas distribution, waste management and public lighting) and from national authorities (in the case of electricity distribution) 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 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 the 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 unremedied, 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.

Regarding the indemnity due to the former concession holder, in several cases there is a dispute between the parties regarding the quantification of the indemnity. Litigation in this respect is frequent and can have an impact on the business plan and on the Group's activity.

The Issuer may incur costs in retendering for large hydroelectric concessions

Law no. 266 of 2005 and Law no. 122 of 2010 providing respectively for a 10-year and then for a 5-year extension of all large water concessions, including those enjoyed by the Group, have been ruled as unconstitutional by Italy's Constitutional Court, respectively in January 2008 and in July 2011. Therefore, there is currently some degree of uncertainty about when and how the tenders concerning some of the hydroelectric concessions, which have already expired or are about to expire, will be actually carried out. A new law has been approved to define the criteria for the tenders, as well as the value of the compensation due to the former concession holder in exchange for the assets related to the concession, in case a competitor prevails.

Legislative Decree n. 83 of 22 June 2012 (the **Development Decree**), as converted into law by Parliament (Law n. 134 of 07 August 2012) defines, *inter alia,* the criteria for all large water concessions tenders and sets out the criteria to evaluate the level of compensation due to former concession holders in exchange for any relevant assets transferred where these lose the mandate.

Article 37 of the Development Decree provides that five years before 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 concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the level of investment required. 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, but 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 actions set out in order to ensure conservation of the reservoirs' capacity.

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 five years' time-limit of the regime set above cannot therefore apply) the new provisions establish a transitional scheme according to which (i) the new concessions for the plants of Lovero, Stazzona and Grosotto should be awarded with effect from 1 January 2016, and (ii) the new concessions for Premadio 1 and Grosio should be awarded with effect from 1 January 2018. In both cases, the new concessions are to be awarded by way of a public tender in accordance with local regulations and the fundamental principles of protection of competition, freedom of establishment, transparency and non-discrimination. It must be taken into account that the implementation rules for the tender itself still have

to be established by the competent governmental and regional bodies, thus causing a significant degree of uncertainty about the actual possibility to comply with the above quoted deadlines.

Article 37 further establishes that the out-going concession holder has to transfer to any new concession holder its relevant division. The consideration to be paid to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority and 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 revalued 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. In the absence of such agreement, the amount will be established by an independent body composed of three qualified and independent members.

Risks relating to tenders for new gas distribution concessions

The gas distribution business of the Group is dependent on concessions granted by Italian local authorities.

As at 31 December 2012 the Group managed the gas distribution and measurement services for 209 municipalities, including Milan, Brescia, Bergamo and Varese, through 8,054 km of gas distribution grids with more than 1.42 million connected users.

The gas market is regulated by Legislative Decree no. 164/00 of 23 May 2000 (the **Letta Decree**) which has been amended several times since its entry into force, also with reference to the distribution of gas. In particular, under the Letta Decree the distribution of gas will be provided by operators identified with public bids organised at a level over the municipality and within territorial areas that were defined by the Ministerial Decrees of 19 January 2011 and 18 October 2011. Such public bids must follow the rules dictated by the Ministerial Decree n.226 of 12 November 2011 (the **Tender Criteria Decree**). The substitution of one operator with another operator must ensure the protection of the workforce, as set out in Ministerial Decree of 21 April 2011, and a fair compensation must be recognised to the outgoing operator for the goods which will be available to the new operator.

As at the date of this Base Prospectus, there is an element of uncertainty as to how the new concession system will function and how the new legislation will be interpreted by the authorities granting the concessions and the Italian courts.

No assurances can be given that A2A and its subsidiaries will be awarded concessions for the areas they currently operate, or if awarded, that they will be subject to the same or more favourable overall conditions (fees and planned investments combined) than the current ones. Notwithstanding any compensation received by A2A or its subsidiaries where it loses a concession (as described more fully in *"Risks relating to payments of compensation to outgoing gas distribution operators*" below), if A2A or its subsidiaries are not awarded concessions for the major territorial areas where they are currently the market leader or if they are awarded such concession but on less favourable terms, there could be a negative impact on the Issuer's operations, results, balance sheet and cash flow.

Risks relating to payments of compensation to outgoing gas distribution operators

In addition to describing provisions regarding the public tender process for the awarding of gas distribution concessions, the Tender Criteria Decree establishes that where the holder of a gas distribution concession also owns the gas distribution networks and plants it operates and fails to be awarded a new concession, it is entitled to receive compensation in exchange for transferring legal ownership of such plant to the incoming operator.

The Tender Criteria Decree contains detailed provisions for calculating the amount of compensation due to such outgoing operators, including where there is a dispute.

There can be no assurance that any amount paid to the Group pursuant to such legislation will be adequate compensation for the loss of the relevant concession and disposal of the related assets.

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

Compliance with these requirements 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 costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An 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 meet its obligations under the Notes.

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. For this purpose, the Group has adopted a policy for the quality, environment and safety of the A2A Group which is implemented through an Environmental Management System (**EMAS**) that is in the process of being adapted to the best international standards. In addition, in the course of 2012 A2A was involved in the updating process of the organisational and management model provided by Legislative Decree No. 231 of 8 June 2001 (governing the administrative liability of legal entities) in order to prevent that environmental crimes be committed in the interest of the Issuer. Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented or in the process of being 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, spill-over, contaminations 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 face all existing environmental liabilities whereby either a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reliably estimated. The accrued amount represents management's best estimates of the future environmental expenses to be incurred. Notwithstanding the foregoing, 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 on-going 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 companies belonging to the Group in relation to such matters. In addition, the Group has taken out insurance policies against environmental damages, with the aim of covering additional environmental risks. However, the insurance cover may prove to be insufficient to cover such risks.

Negative conditions in countries, outside Italy, where the Group has operations could have an adverse effect on the Group and/or the market value of the Notes

The Group has operations in Montenegro. There are a number of risks associated with operations outside Italy, including differences in laws, policies and measures, regulatory requirements affecting trade and investment, differences in social, political, labour, and economic conditions including foreign exchange rates, difficulties in staffing and managing foreign operations, and potential adverse foreign tax consequences. Negative conditions in these countries or other markets may adversely affect the Group's

operating results and financial condition, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

The Group'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 Group needs to maintain or obtain a variety of permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to meet its obligations under the Notes.

The Group faces increasing competition in the markets in which it operates

The energy markets in which the Group operates are subject to increasing competition in Italy. In particular, the Group encounters competition.

- in its domestic electricity business, in which it competes with other producers and traders from Italy and outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid/achieved in the Group's electricity production and trading activities;

- in its domestic natural gas business, where it faces increasing competition from both national and international natural gas suppliers. Increasingly high levels of competition in the Italian natural gas market could possibly entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to final clients in Italy, which could threaten the market position of companies like A2A which resell gas purchased from producing countries to final customers. In addition, there is a regulatory risk linked to the definition by the AEEG of the maximum price for the residential market.

These developments could over the time have a negative impact on the Group's operating profit, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

Information technology risk

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. Information technology risk arises in particular from issues concerning the adequacy of these systems and the integrity and confidentiality of data and information.

The continuous development of "Information & communication technology" solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems help to mitigate these risks. In addition, to limit the risk of activity interruption caused by a system fault, A2A has adopted hardware and software configuration for those applications that support critical activities, which are periodically subjected to efficiency testing. Specifically, the services provided by the Group's outsourcer include a disaster recovery service that is intended to guarantee system recovery within timeframes that are consistent with the critical relevance of the affected applications.

Considering the importance of the activities carried out every day on the Italian Power Exchange, particular attention is given to controlling of those systems interfacing with the market. These systems have in fact been duplicated and are subject to specific management and maintenance procedures designed to protect their stability.

Nevertheless, there can be no assurance that serious system failures, network disruptions or breaches in security will not occur; any such failure, disruption or breach may have a material adverse effect on the Issuer's business, financial condition or results of operations.

Risks related to increase in levels of taxes

A2A operates in different countries around the world and any of these countries could modify their tax laws, regarding both income taxes and other kind of taxes, in ways that would adversely affect A2A's results of operations and its financial condition. The Group determines the taxation that it is required to pay on the basis of interpretation of tax laws and regulation applicable in the jurisdiction in which it operates. Adverse changes in the current tax regimes of any country in which A2A operates may occur, regardless of the level of stability of the political and legislative framework in each country. These adverse changes would translate into negative impacts on A2As future results of operations and cash flows and may affect A2A's ability to service payment obligations arising from its indebtedness. Furthermore, the marginal tax rate in the gas and electricity industry may tend, in the long-term, to change in correlation with the price of crude oil and may prevent A2A to translate higher oil prices into its final sale price and it may therefore impact its net profits.

Gas and electricity activity may be subject to increasingly high levels of income taxes

On 13 August 2011, the Italian government issued Law Decree No. 138, enacted in September 2011 whereby a temporary 4 per cent. increase to the additional statutory tax rate of 6.5 per cent. was introduced and was levied on oil and gas companies based on the Italian tax regime as per Law No.133/2008 (the **Robin Hood Tax**) and measures thereafter. The increase affects the Group's profit before taxation earned for the 2011 fiscal year with retroactive effects as of the beginning of the year, and will also apply for the two subsequent years. Furthermore, the Group's operation in the regulated business of gas and electricity distribution in the Republic of Italy, which was previously exempted, now falls within the scope of the additional tax rate levied on oil and gas operations.

The Group may be subject to further unfavourable changes of the above-mentioned regime (in relation to the statutory tax rate of 6.5 per cent. and also with regard to the temporary increase of 4 per cent. referred to above). The Law Decree also prohibits companies from transferring the effect of this increased tax rate to consumer prices. On 22 June 2013, the Italian government issued Law Decree No. 69, converted into law with amendments by Law No. 98 of 1 August 2013, which introduced certain amendments to the Robin Hood Tax regime described above, including a reduction of the thresholds for the application of the increased tax.

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

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 such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes (but is not intended to be an exhaustive description):

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

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.

Redemption for tax reasons.

If, as a result of a change in the applicable laws or regulations, the Issuer becomes 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 Italy or certain other relevant jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the Notes may be redeemed at the option of the Issuer 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.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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.

Risks applicable to certain types of Exempt Notes

There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks related to Notes generally

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

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.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

Withholding under the EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are 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. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

The value of the Notes could be adversely affected by a change in applicable law or administrative practice.

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, save that provisions convening meetings of Noteholders and the appointment of a Noteholders' Representative in respect of any Series of Notes are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) 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.

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:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

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 severe adverse effect on the market value of Notes.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a **listing**), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

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.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

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 assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer or 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 under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) 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 is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

(a) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2011 of the Issuer including the information set out at the following pages in particular:

Balance Sheet	Pages 4 to 5
Income statement.....	Pages 6 to 7
Consolidated Statement of Comprehensive Income	Page 7
Cash Flow Statement.....	Pages 8 to 9
Statement of Changes in Group Equity	Pages 10 to 11
Balance sheet pursuant to Consob Resolution No. 17221 of March 2012, 2010	Pages 14-15
Income statement pursuant to Consob Resolution No. 17221 of March 2012, 2010	Page 16
Notes to the Consolidated Annual Report	Pages 19 to 163
Independent Auditors' Report	Pages 166 to 167

(b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2012 of the Issuer including the information set out at the following pages in particular:

Balance Sheet	Pages 4 to 5
Income statement.....	Pages 6 to 7
Consolidated Statement of Comprehensive Income.....	Page 7
Cash Flow Statement.....	Pages 8 to 9
Statement of Changes in Group Equity	Pages 10 to 11
Balance sheet pursuant to Consob Resolution No. 17221 of March 2012, 2010	Pages 14 to 15
Income statement pursuant to Consob Resolution No. 17221 of March 2012, 2010	Page 16
Notes to the Consolidated Annual Report	Pages 19 to 186
Independent Auditors' Report	Pages 188 to 189

(c) the Half-yearly financial Report at 30 June 2013 of the Issuer including the information set out at the following pages in particular:

Balance Sheet	Pages 34 to 35
Income statement.....	Pages 36 to 37
Consolidated Statement of Comprehensive Income.....	Page 38
Consolidated Cash Flow Statement.....	Pages 39
Balance sheet pursuant to Consob Resolution No. 17221 of March 2012, 2010	Pages 42 to 43
Income statement pursuant to Consob Resolution No. 17221 of March 2012, 2010	Page 44
Notes to the Consolidated Annual Report	Pages 46 to 169
Changes in legislation	Pages 172 to 185
Independent Auditors' Report.....	Pages 246 to 247

(d) the terms and conditions of the Notes contained in the previous base prospectus dated 29 October 2012 prepared by the Issuer in connection with the Programme on pages 57-88;

(e) the unaudited interim reports on operations as at 30 September 2013 of the Issuer including the information set out at the following pages in particular:

Key figures of the A2A Group	Pages 5 to 14
Consolidated results and report on operations.....	Pages 15 to 33
Consolidated balance sheet	Pages 36 to 37
Consolidated income statement.....	Pages 38 to 39
Consolidated statement of comprehensive income	Page 40
Consolidated cash flow statement	Pages 41
Statement of changes in Group equity.....	Pages 42 to 43
Notes to the Interim report on operations.....	Page 45 to 159
Changes in legislation	Pages 161 - 178

(f) Press release headed "*The A2A S.p.A. Management Board has approved the Interim Report on Operations at 30 September 2013 and has examined the progress of the Industrial Plan a year after its launch*" issued by A2A on 7 November 2013: entire document.

The information incorporated by reference that is not included in the cross-reference lists above is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) 809/2004 as amended.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream, Luxembourg.

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 and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form)without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the

Agent as described therein or (b) only upon the occurrence of an Exchange Event]. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

"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."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 29 October 2012 and executed by the Issuer.

APPLICABLE FINAL TERMS

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[*Date*]

A2A S.p.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
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 set forth in the Base Prospectus dated 25 November 2013 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). 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 has been published on the website of the Issuer (www.a2a.eu). The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*]

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 [*original date*] which are incorporated by reference in the Base Prospectus dated 25 November 2013. 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 25 November 2013 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**), including the Conditions incorporated by reference in 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 has been published on the website of the Issuer (www.a2a.eu). The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
4.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))* *(Note - where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
6.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:		[*Fixed rate - specify date/* *Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]

8.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [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 Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there*][Not Applicable]
11.	Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [(further particulars specified below)]
12.	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular*

		interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
14.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]
	(c) Additional Business Centre(s):	[ ]
	(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f) Screen Rate Determination:	
	• Reference Rate and Relevant Financial Centre:	Reference Rate: [[ ] month [LIBOR/EURIBOR]/[CMS Reference Rate]. Relevant Financial Centre: [London/Brussels/*specify other Relevant Financial Centre*] Reference Currency: [ ] (*only relevant for CMS Reference Rate*) Designated Maturity: [ ] (*only relevant for CMS Reference Rate*) Specified Time: [ ] in the Relevant Financial Centre
	• Interest Determination Date(s):	[ ] *(in the case of LIBOR (other than Sterling or euro LIBOR)):* [Second London business day prior to the start of each Interest Period] *(in the case of Sterling LIBOR):* [first day of each Interest Period] *(in the case of euro LIBOR or EURIBOR):* [the second day on which the TARGET2 System is open prior to the start of each Interest Period]

(in the case of a CMS Rate where the Reference Currency is euro):[Second day on which the TARGET2 System is open prior to the start of each Interest Period]

(in the case of a CMS Rate where the Reference Currency is other than euro):[Second [*specify type of day*] prior to the start of each Interest Period]

- Relevant Screen Page: [ ]
(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)

(*In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

(g) ISDA Determination:

- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
(*In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period*)

(h) Margin(s): [+/-] [ ] per cent. per annum

(i) Minimum Rate of Interest: [ ] per cent. per annum

(j) Maximum Rate of Interest: [ ] per cent. per annum

(k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)]
(*See Condition 4 (Interest) for alternatives*)

15. Zero Coupon Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a) Accrual Yield: [ ] per cent. per annum

(b) Reference Price: [ ]

(c) Day Count Fraction in relation to [30/360]

	Early Redemption Amounts:	[Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition 6.2 (*Redemption and Purchase - Redemption for tax reasons*):	Minimum period: [ ] days Maximum period: [ ] days
17.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount]/[Make-whole Amount] (*if Make-Whole Amount is selected, include the following items of this subparagraph)*
	• Reference Bond:	[*Insert applicable Reference Bond*/FA Selected Bond]
	• Quotation Time:	[11.00 a.m. [London/*specify other*] time]
	• Redemption Margin:	[[ ] per cent/Not Applicable]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(d) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
18.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]

	(b)	Optional Redemption Amount:	[ ] per Calculation Amount [(*NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes*)]
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Relevant Event Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Optional Redemption Amount:		[ ] per Calculation Amount
20.	Final Redemption Amount:		[ ] per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:		
	(a)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "*[*€100,000*] *and integral multiples of* [*€1,*000] *in excess thereof up to and including* [*€199,000*]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of*

		Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)
	[New Global Note:	[Yes][No]]
23.	Additional Financial Centre(s):	[Not Applicable/*insert relevant financial centre*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 14(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, 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 still to be made. In such event, on and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]/[No]

[[*Relevant third party information*] has been extracted from [*specify source*]. 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of A2A S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [*defined terms*] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

[*Need to include a description of any interest, including a conflicting interest, 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 following statement*:

"Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue 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 the Base Prospectus under Article 16 of the Prospectus Directive.*)]

4. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	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 recognised 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.]]

7. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]]

EXEMPT NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

Set out below is the form of Final Terms which will be completed for each Tranche of Exempt Notes issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW

[*Date*]

A2A S.p.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms of the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 25 November 2013 [as supplemented by the supplement[s] dated [*date[s]*]] (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. Copies of the Base Prospectus may be obtained from [*address*].

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 [*original date*] which are incorporated by reference in the Base Prospectus].

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.*]

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] 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 [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]

	(b)	Tranche:	[ ]
4.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))* *(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
6.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:		[*Fixed rate - specify date/* *Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]
8.	Interest Basis:		[[ ] per cent. Fixed Rate] [[*specify Reference Rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
9.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
10.	Change of Interest Basis or		[*Specify details of any provision for change of Notes*

	Redemption/Payment Basis:	*into another Interest Basis or Redemption/Payment Basis*][Not Applicable]
11.	Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [(further particulars specified below)]
12.	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*specify other*]
	(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]

	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/*Give details*]
14.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate and Relevant Financial Centre:	Reference Rate: [ ] month [LIBOR/EURIBOR/*specify other Reference Rate*]. Relevant Financial Centre: [London/Brussels/*specify other Relevant Financial Centre*]
		• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
		• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ]

			(*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
	(h)	Margin(s):	[+/-] [ ] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA) *Other*] (*See Condition 4 (Interest) for alternatives*)
	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions:	[ ]
15.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
16.	Index Linked Interest Note		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent	[*give name*]
	(c)	Party responsible for calculating	[ ]

	the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	
(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]
17.	Dual Currency Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 6.2 (*Redemption and Purchase - Redemption for tax reasons*):	Minimum period: [ ] days Maximum period: [ ] days
19.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/Make-whole Amount/ *specify other*/see Appendix] (*if Make-Whole Amount is selected, include the following items of this subparagraph)*
		• Reference Bond:	[*Insert applicable Reference Bond*/FA Selected Bond]
		• Quotation Time:	[11.00 a.m. [London/*specify other*] time]
		• Redemption Margin:	[[ ] per cent/Not Applicable]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
20.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
21.	Change of Control Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs*

		of this paragraph)
	(a) Optional Redemption Amount:	[ ] per Calculation Amount/*specify other*/see Appendix]
	(b) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5 (*Redemption and Purchase – Early Redemption Amounts*)):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "*[*€100,000*] *and integral multiples of* [*€1,*000] *in excess thereof up to and including* [*€199,000*]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)

	New Global Note:	[Yes][No]
25.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 14(c) and 16(g) relate*)
26.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, 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 still to be made. In such event, on and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]/[No]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.	[Not Applicable/*give details*. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Instalment Amount(s):	[*give details*]
	(b) Instalment Date(s):	[*give details*]
29.	Other final terms:	[Not Applicable/*give details*]

[[*Relevant third party information*] has been extracted from [*specify source*]. 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of [name of the Issuer]:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*] *(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus*)

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue 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*]

3. [USE OF PROCEEDS

Use of Proceeds:	[ ]] (*Only required if the use of proceeds is different to that stated in the Base Prospectus*)

4. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Deemed delivery of clearing system notices for the purposes of Condition 13 (*Notices*):	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

(vii)	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 recognised 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.]]

5. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	Reg. S Compliance Category [2]; [TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Additional United States selling restrictions:	[Not Applicable/*give details*] (*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*)

SCHEDULE

TO THE FINAL TERMS

Further Information Relating to the Issuer

[*The information set out in this Schedule may need to be updated if, at the time of the issue of the Notes, any of it has changed since the date of the Base Prospectus*]

1.	Name:	A2A S.p.A.
2.	Objects	The purpose of the Issuer is to carry out, either directly or through invested companies and entities, activities in the field of research, production, supply, transportation, transformation, distribution, sale, use and recovery of energy resources and of integrated water cycle. The Issuer may also carry out activities in the field of other network services, including the installation, maintenance, connection and testing of telecommunications systems, as well as provide public services in general and carry out activities instrumental, connected and ancillary to those indicated above, including services in the field of waste collection, treatment and disposal and of urban and environmental hygiene in general. In these fields, the Issuer may also carry out activities regarding study, consulting and design, except for activities expressly reserved by law. The Issuer may perform any and all transactions deemed necessary or useful for the attainment of its corporate purpose; it may effect, *inter alia*, real and personal property, commercial, industrial and financial transactions, and do everything that is connected to the achievement of its corporate purpose, except for the collection of savings from the general public and the carrying out of reserved activities under Legislative Decree No. 58 of February 24, 1998. Finally, the Issuer may acquire interests and equity investments in other companies or businesses, both Italian and foreign, whose corporate purpose is similar, connected or ancillary to its own, and may provide real and/or personal security for obligations connected with the conduct of corporate business also to the benefit of subsidiary and/or associated entities and companies.
3.	Registered Office	Via Lamarmora, 230, 25124 Brescia, Italy
4.	Company's registration number:	Companies' Register of Brescia, No. 11957540153
5.	Amount of paid-up share capital	Paid-up share capital of €[ ], divided into no. [ ] ordinary shares of €[ ] each

		and reserves of €[ ].
6.	Base Prospectus:	Base Prospectus dated 25 November 2013, as supplemented from time to time.
7.	Date of resolution authorising the issue and date of its registration	Resolution dated [ ], filed with the Companies' Register of Brescia on [ ]. [*any other information required pursuant to article 2414 of the Italian Civil Code*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may, in the case of an Exempt Note, specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by A2A S.p.A. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 25 November 2013 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 29 October 2012 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. NEGATIVE PLEDGE

So long as any of the Notes remain outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries (as defined in Condition 9 (*Events of Default*)) will, create or permit to subsist any mortgage, charge, lien, pledge, *garanzia reale* under Italian law or other security interest having a similar effect (each a **Security Interest**) upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) without, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, taking any and all necessary action to ensure that:

(a) all amounts payable by the Issuer under the Notes and any related Receipts and Coupons are secured by the Security Interest equally and rateably with such Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders,

provided, however, that:

(i) the foregoing restrictions will not apply to 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

(ii) nothing in this Condition shall prevent the Issuer or any of its Material Subsidiaries from creating or permitting to subsist 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 (A) pursuant to any securitisation, asset backed financing or like arrangement 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 or (B) in connection with Project Bonds (as defined below).

For the purposes of these Conditions:

Group means the Issuer and its Subsidiaries;

Relevant Indebtedness means (A) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other instruments which are, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (B) any guarantee or indemnity of any such indebtedness.

Project Bonds means any present or future Relevant Indebtedness issued to finance and/or refinance 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 Relevant 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:

(i) 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

(ii) 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 borrower 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 borrower 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 Relevant Indebtedness, to commence proceedings of whatever nature against any member of the Group.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2 - (a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the specified Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of 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 (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Floating Rate Notes other than CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

I. the offered quotation; or

II. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the specified Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In the event that the Relevant Screen Page is not available or if, in the case of I above, no such offered quotation appears or, in the case of II above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date specified in the applicable Final Terms.

If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the specified Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at

approximately the Specified Time (being 11.00 a.m. London time, in the case of a determination of the London inter-bank offered rate (**LIBOR**), or 11.00 a.m. Brussels time, in the case of a determination of the Euro-zone inter-bank offered rate (**EURIBOR**)) on the relevant Interest Determination Date specified in the applicable Final Terms, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the specified Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date specified in the applicable Final Terms, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the specified Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different specified Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the specified Margin relating to the relevant Interest Period in place of the specified Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes which are Exempt Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of the Notes will be determined as provided in the applicable Final Terms.

For the purposes of this sub-paragraph (A):

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent and in the case of a determination of a Reference Rate that is not LIBOR or EURIBOR, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre or as specified in the applicable Final Terms.

(B) Floating Rate Notes which are CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in

question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

For the purposes of this sub-paragraph (B):

CMS Rate shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

CMS Reference Banks means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent.

Designated Maturity, **Margin** and **Relevant Screen Page** shall have the meaning given to those terms in the applicable Final Terms.

Relevant Swap Rate means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in 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 (the **ISDA Definitions**)) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to

GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

(iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is any other currency of if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

Representative Amount means an amount that is representative for a single transaction in the relevant market at the relevant time.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the

Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest 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 D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the

relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Exempt Notes

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Final Terms, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4.2 shall, save to the extent amended in the applicable Final Terms, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

4.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 5.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the

case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 Specific provisions in relation to payments in respect of certain types of Exempt Notes

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

5.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which 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 that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by a Director 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 and (ii) 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 and the Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the holders of Notes, Receipts or Coupons.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption

Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if a Make-whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Agent equal to the higher of:

(a) 100 per cent. of the nominal amount of the Notes to be redeemed; or

(b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date 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 Bond Rate (as defined below), plus the specified Redemption Margin,

plus in each case, for the avoidance of doubt, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In the Conditions:

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means an independent and internationally recognised financial adviser selected by the Issuer;

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to the Optional Redemption Date, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to the Optional Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date;

Reference Government Bond Dealer means each of five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a

percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the Optional Redemption Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.3 by the Agent, shall (in the absence of negligence, wilful default or fraud) be binding on the Issuer, the Agent, the Paying Agents and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

6.4 Redemption at the option of the Noteholders (Investor Put/Relevant Event Put)

This Condition 6.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholders, such option being referred to as an **Investor Put** or a **Relevant Event Put**, as the case may be. The applicable Final Terms contains provisions applicable to any Investor Put or Relevant Event Put, as the case may be, and must be read in conjunction with this Condition 6.4 for full information on any Investor Put or Relevant Event Put, as the case may be. In particular the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If:

(a) Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, upon the expiry of such notice; and/or

(b) Relevant Event Put is specified as being applicable in the applicable Final Terms and a Put Event (as defined below) has occurred, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) during the period ending on the 60th day following the public announcement of the relevant Put Event (the **Relevant Notice Period**),

the Issuer will, subject to, and in accordance with, the terms specified in the applicable Final Terms, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the applicable notice period/Relevant Notice Period, 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 **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the applicable notice period/Relevant Notice Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice (as referred to above) or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

For the purposes of Condition 6.4 (b) above, a **Put Event** shall be deemed to occur if:

(a) Any of (A) a Change of Control, (B) a Concession Event or (C) a Sale of Assets Event (each, a **Relevant Event**) occurs; and

(b) at the time of the occurrence of the Relevant Event, the Notes carry from any Rating Agency either:

(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 Relevant Event 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 Relevant Event 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 Relevant Event 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 Relevant Event;

A **Change of Control** shall 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 Reference Shareholders) acting in concert;

A **Concession Event** shall be deemed to occur if at any time one or more of the Concessions (as defined below) granted to the Issuer or to any of its Material Subsidiaries is terminated (prior to the original stated termination date) or revoked in accordance with its terms or otherwise expires at its or their original stated termination date(s) and is not extended or renewed, and such Concession or, as the case may be, Concessions, taken together (in the case the termination of more than one Concession), constitute the whole or a substantial part of the Group's business, provided that the *prorogatio* regime to which a Concession may be subject between its expiry at the relevant stated termination date and the extension, renewal or new award of such Concession will not constitute a Concession Event.

A **Sale of Assets Event** shall be deemed to occur if at any time (i) the Issuer or any of its Material Subsidiaries is required by applicable law to sell, transfer, contribute, assign or otherwise dispose of assets comprising the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), or (ii) if such assets are expropriated (*espropriati*) on the basis of an order of a public authority having jurisdiction over the Issuer or the relevant Material Subsidiary.

Concession means a written contract between the Issuer and/or one of its Subsidiaries, on one side, and one or more public national or local authorities or entities (such as ministries or municipalities), on the other, by which the latter grants to the Issuer or the relevant Subsidiary the management of public services/utilities or services of public interest including, without limitation, environmental services (waste collection and treatment, and municipal cleaning), integrated water services, gas distribution, district heating and heat management, or electricity distribution.

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

Reference Shareholders means the municipality of Milan and the municipality of Brescia.

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or, in the case of Exempt Notes, which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

6.6 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Final Terms. For the purposes of Condition 6.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Final Terms.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

6.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Where permitted by applicable law and regulation, all Notes purchased pursuant to Condition 6.7 may be cancelled or held, reissued or resold at the discretion of the relevant purchaser.

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes

so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.6 (*Payments – Payment Day*)); or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(f) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes, Receipts or Coupons on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 or future similar law and any related implementing regulations (each as amended or supplemented from time to time; or

(g) 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 Republic of Italy.

As used herein:

(i) **Tax Jurisdiction** means the Republic of 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 become subject in respect of payments made by it of principal and interest on the Notes, Receipts and Coupons; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

8. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Payments – Presentation of definitive Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Payments – Presentation of definitive Notes, Receipts and Coupons*).

9. EVENTS OF DEFAULT

9.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any Material Subsidiary (as defined below) becomes, or becomes capable of being declared, due and repayable prior to its stated maturity by reason of an event of default (however described) and otherwise than at the option of the Issuer; or (ii) the Issuer or any Material Subsidiary

fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment and any such failure is not cured within any originally applicable grace period; or (iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any person, provided that no such events under (i) to (iv) above shall constitute an Event of Default if the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing and, in the case of (iii) only the amount recovered or sought to be recovered, shall amount to less than €30,000,000 (or its equivalent in any other currency or currencies); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purpose of a Permitted Reorganisation (as defined below) that does not result in a Rating Downgrade (as defined below)), save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

(e) if (A) the Issuer, acting directly or through its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of the Group's business as it is at any given time (otherwise than for the purpose of a Permitted Reorganisation that does not result in a Rating Downgrade), save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders (and provided that neither (1) the occurrence of a Concession Event nor of a Sale of Assets Event (each as defined in Condition 6.4) shall give rise to an Event of Default under this Condition 9.1(e)(A), or (B) the Issuer or any of its Material Subsidiaries stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent (for the purposes of this paragraph (e), a **substantial part** of any entity's business means a part of the relevant entity's business which accounts for 25 per cent. or more of the consolidated total assets and/or consolidated total revenues as determined by reference to the most recently available audited consolidated IFRS financial statements of the Issuer); or

(f) if (A) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation (*liquidazione coatta*), insolvency (*fallimento*), composition (*concordato preventivo*), reorganisation (*amministrazione straordinaria*) or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver (*curatore*), manager, administrator (*commissario straordinario o liquidatore*) or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them and (B) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 60 days; or

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the

obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any such obligations cease or will cease to be legal, valid, binding and enforceable; or

(i) if any event occurs which, under the laws of the Republic of Italy, has an analogous effect to any of the events referred to in paragraphs (d) to (g) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

9.2 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (a) money borrowed, (b) liabilities under or in respect of any loan, acceptance or acceptance credit, (c) any note, bond, debenture, debenture stock, loan stock or other security issued, offered or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or part for a consideration other than cash;

Material Subsidiary means at any time any fully consolidated Subsidiary of the Issuer:

(a) whose total revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries, and without taking into account intra-group revenues) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case not less than 10 per cent. of the consolidated total revenues of the Issuer or, as the case may be, consolidated total assets, of the Issuer and its 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 such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary,

all as more particularly defined in the Agency Agreement.

A certificate signed by one Director of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary, shall, in the absence of manifest error, be conclusive and binding on all parties;

Permitted Reorganisation means any solvent amalgamation, merger, demerger or reconstruction involving the Issuer or any Material Subsidiary and in which the Issuer or, as the case may be, such Material Subsidiary, is the continuing entity under which the assets and liabilities of the Issuer or the relevant Material Subsidiary are assumed by the entity resulting from such amalgamation, merger, demerger or reconstruction and, where the same involves the Issuer, such entity assumes the

obligations of the Issuer in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction;

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;

A **Rating Downgrade** will be deemed to have occurred if, at the time of the occurrence of the Permitted Reorganisation, the Notes carry from any Rating Agency either:

(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 Permitted Reorganisation 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 Permitted Reorganisation 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 Permitted Reorganisation an investment grade credit rating to the Notes;

Subsidiary means, in relation to any Person (the **First Person**) at any particular time, any other Person (the **Second Person**):

(a) whose majority of votes in ordinary shareholders' meetings of the Second Person is held by the First Person; or

(b) in which the First Person holds a sufficient number of votes giving the First Person a dominant influence in ordinary shareholders' meetings of the Second Person; or

(c) which is under the dominant influence of the First Person by virtue of certain contractual relationships between the First Person and the Second Person;

and (where the First Person is the Issuer or another Italian entity) as provided by Article 2359 of the Italian Civil Code.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5 (*Payments – General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and are listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that

notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. All meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time (including, without limitation, Legislative Decree No. 58 of 24 February 1998 as amended) and the By-laws of the Issuer in force from time to time. Accordingly, the provisions contained in the Agency Agreement shall be deemed to be amended, replaced and supplemented to the extent that any Italian laws, legislation, rules and regulations dealing with the meetings of the Noteholders or the relevant provisions in the By-laws of the Issuer are amended at any time while the Notes remain outstanding. Without prejudice to the foregoing, in accordance with Article 2415 of the Italian Civil Code, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative, (ii) any amendment to these Conditions, (iii) motions for the composition with creditors (*concordato*) of the relevant Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) any other matter of common interest to the Noteholders.

Italian law currently provides that such a meeting may be convened by the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon the request of any Noteholder(s) holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. If the meeting has not been convened following such request of the Noteholders, the same may be convened by a decision of the competent court in accordance with the provisions of Article 2367 of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

Such a meeting will be validly held if (i) in the case of a sole call meeting, there are one or more persons present being or representing Noteholders holding at least one-fifth of the principal amount

of the outstanding Notes; or (ii) (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding at least one half of the aggregate nominal amount of the Notes for the time being outstanding; (b) in the case of a second meeting, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate nominal amount of the Notes for the time being outstanding; and (c) in the case of a further adjourned meeting, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate nominal amount of the Notes for the time being outstanding, provided however that that the Issuer's By-laws may in each case (to the extent permitted under the applicable Italian law) provide for a higher quorum.

The majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution will be one or more persons holding or representing at least two thirds of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; provided, however, that (A) certain proposals (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons) may only be sanctioned by a resolution passed at a meeting (including adjourned meetings as provided under Article 2415 of the Italian Civil Code) of Noteholders by 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 a different majority (higher or lower depending on the circumstances and the amount of Notes represented at the meeting) may be required pursuant to Article 2369 paragraph 7, of the Italian Civil Code and (B) the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

Officers and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings but not participate or vote with reference to the Notes held by the Issuer. 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 Receiptholders and Couponholders.

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, will 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 meeting 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 Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

In derogation from Article 2415 of the Italian Civil Code, the Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law or with the provisions of the Issuer's By-laws (*statuto*) applicable to the convening of meetings,

quorums and the majorities required to pass a resolution entered into force at any time while the Notes remain outstanding.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue price, the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 14 (*Meetings of Noteholders and Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholder's Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

17.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer appoints The Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY, United Kingdom or, if different, its registered office for the time being as its

agent for service of process, and undertakes that, in the event of The Italian Chamber of Commerce and Industry for the UK ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

DESCRIPTION OF THE ISSUER

OVERVIEW

A2A S.p.A. (**A2A** or the **Issuer**) and its consolidated subsidiaries (together, the **Group**) form one of the Italian largest local utility group, with more than 1.1 million customers and approximately Euro 6,500 million revenues and over Euro 1,000 million EBITDA for the financial year ended 31 December 2012. The Group's main areas of activity include the production, sale and distribution of electricity, the sale and distribution of gas, the production, distribution and sale of heat through district heating networks, the management of waste and the management of integrated water cycles.

In particular, the Issuer operates in the following business sectors:

(1) **Energy sector**: this sector of activity is the sale of electricity and methane gas on wholesale and retail markets. Support for the marketing areas is assured by fuel procurement, electricity generation plant planning and dispatching, portfolio optimisation and trading on domestic and foreign markets;

(2) **Environment Sector**: this sector of activity relates to the whole waste management cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy. It includes the recovery of the energy content in waste by means of waste to energy or biogas plants;

(3) **Heat and Services Sector**: this sector of activity includes mainly the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group). Cogenerated heat is sold through district heating networks. The sector also provides management services for heating plants owned by third parties (heat management services);

(4) **Networks Sector**: this sector of activity consists of the technical and operational management of networks for the transmission and distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). Also included are activities relating to public lighting, traffic regulation systems, the management of electric lights in public cemetery in Brescia and systems design services;

(5) **Other Services and Corporate**: corporate services business consists of the guidance, strategic direction, coordination and control of industrial operations, as well as business and operating activity support services (e.g. administrative and accounting services, legal services, procurement services, personnel management services, information technology services, telecommunications services, etc.). Other services include video-surveillance, data transmission, telephony and internet access services.

The Group in its current form was created on 1 January 2008 from the transformational three-way merger of the former energy and waste utilities of Milan, AEM S.p.A. (**AEM**) and AMSA S.p.A., (**AMSA**) and the local utility of Brescia, ASM Brescia S.p.A. (**ASM**), (AEM incorporated ASM and AMSA, and changed its name to A2A). The driving force behind the merger was the need to create a utilities group with sufficient critical mass to compete successfully in the increasingly deregulated Italian utilities sector and also at a European level.

More recently A2A has completed its rationalisation process converting most of its financial interests into industrial assets. In particular, following its acquisition of Edipower S.p.A. (**Edipower**) in May 2012, A2A

has become the second largest electricity generation operator in Italy by installed capacity[2] (for further information on the Edipower transaction see "- *Recent Developments*").

A2A is the second leading national energy producer, with 12GW installed and a production mix geared towards renewable sources, for which hydroelectricity represents around a quarter of installed capacity. A2A is the leader in Italy in environmental services and district heating; it is the second largest operator in electricity distribution networks and one of the first in gas and water cycle networks.[3]

Several key initiatives of a strategic nature were completed during the year which are also capable of bringing benefits in future years, and extremely positive economic and industrial results were achieved. Consolidated turnover reached Euro 6,480 million, an increase of 5.7% over 2011. Gross operating income of Euro 1,068 million was reached (+15.6%), while a net profit of Euro 260 million was posted compared to a loss of Euro 423 million incurred in the previous year due to write-downs of Euro 626 million. Net cash flow was positive at Euro 732 million, after capital expenditure of Euro 360 million and dividend payments of Euro 40 million.

The rise in the industrial margin was supported by the Energy Sector, which earned gross operating income of Euro 541 million (+61%) mainly due to the acquisition of the control of Edipower which entered into the A2A Group's consolidation scope in June 2012. The Montenegro subsidiary EPCG also provided its contribution to the sector's fine performance, with a positive industrial result once again and profit reaching Euro 17.5 million.

2 Source: elaboration from data sourced from public websites and GME (*Gestore dei Mercati Energetici*) data.

3 Source: A2A elaboration based on public available data.

THE ISSUER

A2A is a joint stock company (*società per azioni*) incorporated under Italian law on 8 December 1910 (originally under the name of *Azienda elettrica municipale*). Its registered office is at Via Lamarmora 230, 25124, Brescia, Italy and it is registered with the Companies' Register of Brescia under number 11957540153, Fiscal Code and VAT Number 11957540153. A2A may be contacted by telephone at +39 030 35531 and by e-mail at info@a2a.eu. A2A's website is http://www.a2a.eu.

A2A's terms of incorporation shall last until 31 December 2100, subject to extension. Pursuant to Article 4 of its by-laws, the corporate objects of A2A is to carry out, either directly or through invested companies and entities, activities in the field of research, production, supply, transportation, transformation, distribution, sale, use and recovery of energy resources and of integrated water cycle. The Company may also carry out activities in the field of other network services, including the installation, maintenance, connection and testing of telecommunications systems, as well as provide public services in general and carry out activities instrumental, connected and ancillary to those indicated above, including services in the field of waste collection, treatment and disposal and of urban and environmental hygiene in general. In these fields, the Issuer may also carry out activities regarding study, consulting and design, except for activities expressly reserved by law. The Issuer may perform any and all transactions, deemed necessary or useful for the attainment of its corporate purpose; it may execute, *inter alia*, real and personal property, commercial, industrial and financial transactions and any transaction which is connected to the achievement of its corporate purpose, except for the collection of savings from the general public and the carrying out of reserved activities under Legislative Decree No. 58 of 24 February 1998. In addition, the Issuer may acquire interests and equity investments in other companies or businesses, both Italian and foreign, whose corporate purpose is similar, connected or ancillary to A2A's one and may grant securities and/or personal guarantees to secure obligations connected with the conduct of corporate business also to the benefit of subsidiaries and/or affiliate entities and companies.

As at the date of this Base Prospectus, A2A has a paid-up share capital of Euro 1,629,110,744.04 divided into No. 3,132,905,277 ordinary shares having a nominal value of Euro 0.52 each. The ordinary shares of A2A are listed on the *Mercato Telematico Azionario*, the screen based market of the Italian Stock Exchange. As at the date of this Base Prospectus, A2A had a market capitalisation of approximately Euro 2.6 billion.

HISTORY AND DEVELOPMENTS

After the merger of AEM, AMSA and ASM, A2A undertook a significant rationalisation process, which led to:

- the conversion of most of its financial interests (so called "peripheral assets") into industrial assets: in June 2008, A2A had in its balance sheet Euro 3.3 million of financial investments (such as TdE/Edison, Endesa Italia, Edipower, etc.), which were progressively converted into industrial assets and fully consolidated within, and managed by the Group (for example, the stake in Endesa Italia was converted into the Monfalcone thermoelectric plant and hydroelectric facility in Calabria);

- the divestment of non-core activities; and

- internal rationalisation, through the reduction of the overall number of Group companies.

The following table sets out the most important transactions carried out since the beginning of 2011:

May 2011	–	Sale by A2A of a 23.5 per cent. stake in Metroweb S.p.A.
December 2011	–	Sale by A2A of the entire stake owned by it in BAS SII (99.98 per cent. of shares), a company operating in the water business in Bergamo.

January 2012	–	Sale by A2A of a 49 per cent. stake in Eutile S.p.A., a company operating in the IT business.
May 2012	–	Sale by Delmi S.p.A. of its 50 per cent. stake in Transalpina di Energia S.r.l., the company controlling Edison S.p.A.
May 2012	–	Acquisition by Delmi S.p.A. of a 70 per cent. stake in Edipower, one of the largest electricity generation companies in Italy.
September 2012	–	Sale by A2A of its participation in A2A Coriance S.a.s., the holding company of Group Coriance which specialises in the design, construction and operation of district heating and cooling networks in France.
November 2012	–	A2A S.p.A. exercised its put option to sell its shareholding (of 25.7%) in Metroweb S.p.A. to the fund F2i Reti Tlc S.p.A..
July 2013	–	Establishment of A2A Ambiente, a new company with a strong specialization on waste management.
July 2013	–	Sale by A2A of entirely owned Chi.Na.Co. S.r.l., a company with 5 small-Hydro plants (~8MW overall installed capacity).
November 2013	–	Non-proportional partial demerger of Edipower.

In particular, the disposals of the interests held by A2A in Coriance S.A.S., Metroweb S.p.A. and Chi.Na.Co S.r.l. were aimed at rationalising the industrial portfolio and reducing the Group's indebtedness in line with its economic and financial plan.

Despite the crisis which has affected the global economy and which has also impacted the energy sector, A2A's revenues rose from Euro 6,130 million in 2011 to Euro 6,480 million in 2012 (an increase of 5.7 per cent.) and the gross operating margin rose to Euro 1,068 million in 2012 from Euro 924 million in 2011. The half year financial results at 30 June 2013 were also positive, recording gross operating margin of Euro 610 million, with a 26 per cent. increase compared to the same period in 2012, despite a decrease of revenues of Euro 445 million compared to 2012. The net financial position of A2A at 30 June 2013 was equal to Euro 4,074 million, with a decrease of Euro 298 million compared to 31 December 2012. See "*Presentation of Financial Information and other Information*", below.

STRATEGY

The main strategic guidelines of the Group are the following:

- profitable development in the Waste and Heat and Services business areas in which A2A has a solid competitive advantage;
- increase in operational efficiency in mature segments, with specific focus in the Energy sector;
- taking advantage of the new wider electricity and gas portfolio achieved as a result of the Edipower acquisition; and
- improvement of the Group's financial ratios, balance sheet optimisation and deleveraging.

In line with these objectives and priorities, the following main strategic actions were decided on:

1. Merging, reorganisation and development of the Group's activities in the Waste sector;

2. Acceleration in the development of District Heating networks in Lombardy;

3. Integration of the activities of the Energy Business following the acquisition of Edipower. In particular, the Group's priority is to achieve full integration with Edipower, in order to exploit all possible synergies and obtain further margins of growth from an earnings standpoint, also but not only due to the consolidation of Edipower's results for the whole year compared to seven months of consolidation in 2012;

4. Efficiency increase and costs reduction.

The Group strategy hinges on developing the Group's activities in its four core business areas (energy, environment, heat, networks) strengthening the Group's asset structure (including through the sale of non-strategic and low profit-making assets and shareholdings) increasing operating efficiency and selectively allocating investments to the more profitable areas and those which are more environmentally sustainable.

The Group's financial management and prudent energy and other risks policies are expected to contribute to the achievement of said aims.

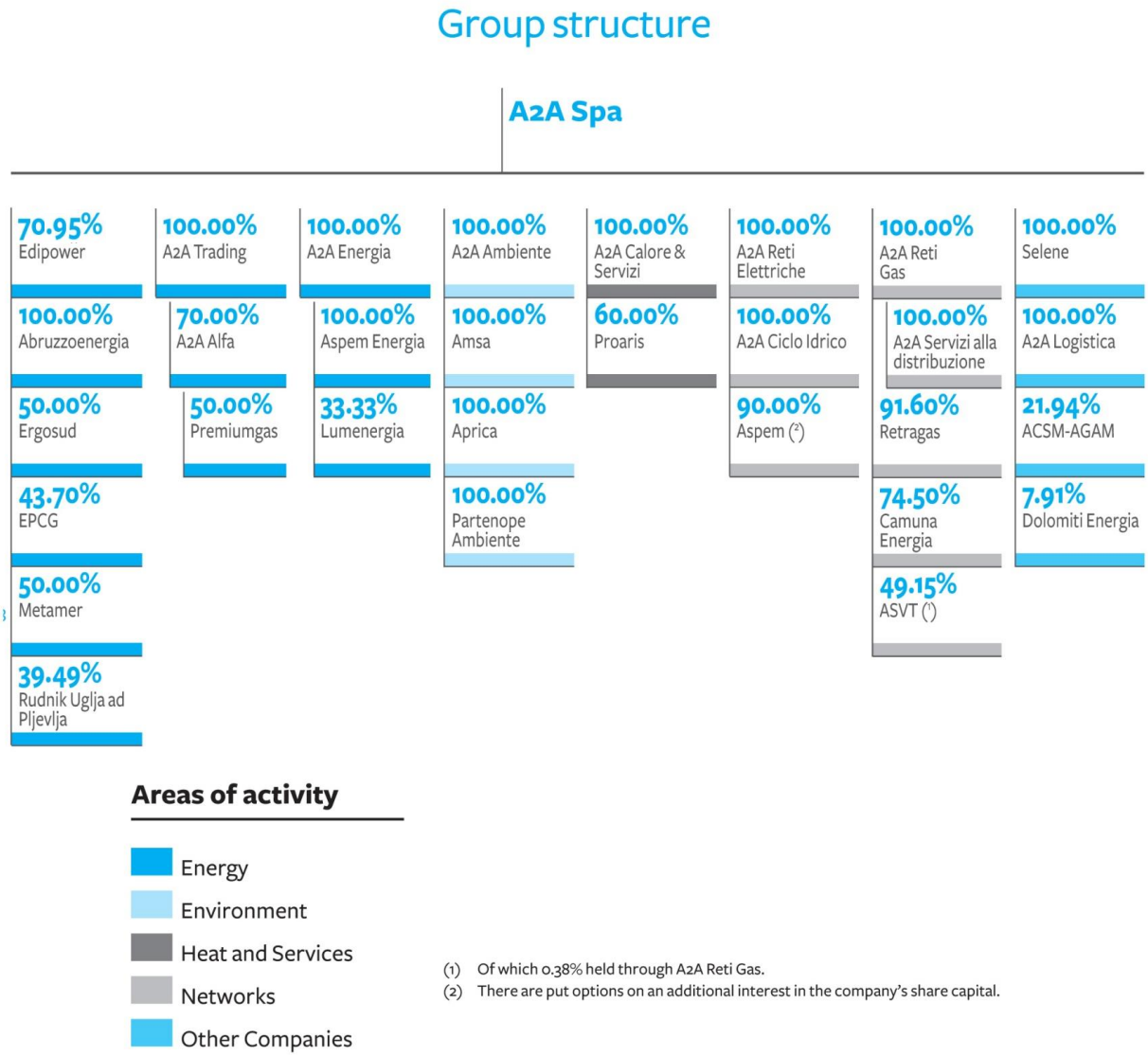
The flexible usage of the Issuer's numerous diverse and complementary production capacities constitutes as at the date of this Base Prospectus a natural hedge against adverse changes in any one part of its business and allow for the maximising of revenue-generating capacities. In particular, synergies arising at the local level from the Group's diverse asset base, the strengthening of its local geographic coverage and building on its longstanding relationships with local stakeholders, the leveraging of its service levels, and, in the environmental context, the use of long term renewable production and other innovative technologies to increase energy savings, in line with the Group's commitment to environmental sustainability have, as at the date hereof, a positive impact on the Group business. However, there can be no assurance that these conditions will continue to exist in the future.

GROUP STRUCTURE AND BUSINESS MODEL

Group Structure

The ongoing post-merger rationalisation and integration process has significantly reduced the number of active group operating companies.

The following chart shows the current Group structure.



Business Model

The Issuer is organised as an operating parent company, which owns real estate properties and the majority of assets in the electricity generation sector (for example in relation to its hydro sector, plants in Boscaccia, Grosio, Grosotto, Lovero, Premadio, San Giacomo, Stazzona, and in relation to its thermo sector, plants in Cassano, Ponti sul Mincio (partially), Monfalcone). The Issuer manages part of its diversified core business also through principally wholly-owned subsidiaries, in accordance to unbundling legislation.

In particular, 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 with all its subsidiaries that formally set forth the intercompany relationships, and tolling agreements with its subsidiary A2A Trading.

The Issuer has also implemented a zero-balance cash-pooling which enables it to optimise the use of surplus funds of all subsidiaries in the Group in order to reduce external debt and increase liquidity. In particular, depending on a surplus or lack of cash, all cash balances at a subsidiary level are automatically transferred on daily basis to or from the parent account. In this context, the Issuer has subscribed intercompany agreements which entitle the parent company to manage cash and funding on behalf of the subsidiaries, and,

in some cases, if the subsidiary has borrowed funds from the parent, generate intercompany loans between the parent and its subsidiary.

The Issuer's activities are organised through the following business sectors:

- Energy;
- Waste;
- Networks;
- Heat and services; and
- Corporate and other services.

The Group's EBITDA for the financial year ended 31 December 2012 (net of the impact of the corporate and other services sector) was made up as follows: 50 per cent. from energy, 20 per cent. from environment, 23 per cent. from networks and 7 per cent. from heat and services.

BUSINESS ACTIVITIES AND REVENUES GENERATION

The table below highlights the results sector by sector of the Group for the periods indicated.

Result sector by sector	Energy			Environment			Heat & Services			Networks			Other Services and Cor		
Millions of euro	01 01 13 06 30 13	01 01 12 06 30 12	01 01 12 12 31 12	01 01 13 06 30 13	01 01 12 06 30 12	01 01 12 12 31 12	01 01 13 06 30 13	01 01 12 06 30 12	01 01 12 12 31 12	01 01 13 06 30 13	01 01 12 06 30 12	01 01 12 12 31 12	01 01 13 06 30 13	01 01 12 06 30 12	01 12
Revenues	2,199	2,654	5,306	448	434	810	205	185	326	361	363	685	115	123	
– of which inter-sector	107	107	185	50	36	59	22	25	42	194	189	381	110	112	
Gross industrial operating income	293	167	541	155	140	267	57	44	69	121	134	252	-16	-1	
Effect of laws and regulations						-48			4			-10			
Gross operating income	**293**	**167**	**541**	**155**	**140**	**219**	**57**	**44**	**73**	**121**	**134**	**242**	**-16**	**-1**	
% of revenues	13.3%	6.3%	10.2%	34.6%	32.3%	27.0%	27.8%	23.8%	22.4%	33.5%	36.9%	35.3%	(13.9%)	(0.8%)	
Depreciation, amortization, provisions and write-downs	-172	-93	-320	-32	-43	-75	-8	-18	-34	-52	-54	-107	-16	4	
Net operating income	121	74	221	123	97	144	49	26	39	69	80	135	-32	3	
% of revenues	5.5%	2.8%	4.2%	27.5%	22.4%	17.8%	23.9%	14.1%	12.0%	19.1%	22.0%	19.7%	(27.8%)	2.4%	
Net financial income/expense															
Non-operating income/expenses															
Income before taxes															
Income taxes															
Result after fax from operating activities															
Net result from non-current assets sold or held for sale															
Minority															
Group net income for the period/year															
Gross investments	31	2,138 (a)	2,216 (a)	18	17	48	13	26 (b)	56 (b)	50	56 (c)	123	6	12	

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ena

(*) The comparative figures for the period January - June 2012 have been recalculated to reflect the application of Revised IAS 19 "Employee B

(a) Includes the effect of first-time consolidation of Edipower S.p.A. for Euro 2,113 million.

(b) Includes the acquisition of the Tecnovalore business for 7 million euro.

(c) Includes advance payments for Euro 3 million.

Description by business sector

Energy

The energy segment covers the activities listed below:

- **Electricity generation**: power plant management through a generation pool of hydroelectric and thermoelectric plants with overall installed power of 12.0GW at 30 June 2013 (including the then 100 per cent. plants owned by Edipower prior to the execution of the non-proportional demerger of Edipower (see "*Recent Developments*" below) and EPGC plants);

- **Energy portfolio management**: planning, programming and dispatching for the electricity plants, the purchase and sale of electricity and fuels on national and international wholesale markets; the procurement of fuel needed to cover the requirements of the thermoelectric plants and wholesalers;

- **Sale of electricity and gas**: marketing of electricity and gas to the eligible customer market and the sale of electricity to captive customers.

The following tables show the main economic and quantitative data for the energy sector.

Energy (Millions of Euro)	**30 June 2013**	**30 June 2012**	**31 December 2012**
Total revenues	2,199	2,654	5,306
Gross operating income	293	167	541
% of revenues	13.3%	6.3%	10.2%
Depreciation, amortisation, provisions	(172)	(93)	(320)
Net operating income	121	74	221
% of revenues	5.5%	2.8%	4.2%
Gross Investments	31	25	103

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

Electricity (GWh)	**30 June 2013**	**30 June 2012**	**31 December 2012**
SOURCES			
Net production	**5,930**	**4,978**	**13,392**
- thermoelectric production	3,518	3,538	9,362
- hydroelectric production	2,411	1,440	4,028
- photovoltaic production	1	-	2
Purchases	**16,471**	**17,141**	**35,324**
- single buyer	1,381	1,502	2,954
- power exchange	4,919	5,155	10,599
- foreign markets	5,871	6,462	12,650
- other purchases	4,300	4,022	9,121
TOTAL SOURCES	**22,401**	**22,119**	**48,716**
USES			
Protected market sales(*)	1,381	1,502	2,954
Sales to eligible customers and wholesalers	9,850	9,060	20,710

Sales on the power exchange	6,240	5,388	13,069
Sales on foreign markets	4,930	6,169	11,983
TOTAL USES	**22,401**	**22,119**	**48,716**

(*) Sales figures also include losses. Quantitative data for EPCG Group are not included. EPCG represents a peculiarity within the Group, this is consolidated in the Group balance sheet (as required by IFRS principles), but A2A holds a 43.7 per cent. participation in EPCG and is therefore not wholly-owned.

The following table shows the main quantitative operational data for the energy sector of EPCG.

Electricity (GWh)	**30 June 2013**	**30 June 2012**	**31 December 2012**
SOURCES			
Production	**2,282**	**1,220**	**2,715**
- thermoelectric production	522	471	1,245
- hydroelectric production	1,760	749	1,470
Import and other sources	**(74)**	**948**	**1,569**
- import	65	641	957
- other sources	4	20	38
- EPS (Serbian Electricity Company)	(143)	287	574
TOTAL SOURCES	**2,208**	**2,168**	**4,284**
USES			
Domestic market consumption	1,490	2,007	3,769
Network losses	80	78	154
Other uses	63	28	55
Export	451	22	208
EPS (Serbian Electricity Company)	124	33	98
TOTAL USES	**2,208**	**2,168**	**4,284**

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

In 2012, the Group managed a total of 5.2 billion cubic meters (**bcm**) of gas, which it either used in its own generation plants (26 per cent.) or sold to wholesalers (43 per cent.) or to the retail market (31 per cent.) as shown in the following table.

Gas (Millions of cubic meters)	**30 June 2013**	**30 June 2012**	**31 December 2012**
SOURCES			
Procurement	1,658	3,026	5,064
Withdrawals from stock	149	181	163
Internal consumption (unaccounted for gas)	(5)	(13)	(18)
TOTAL SOURCES	**1,802**	**3,194**	**5,209**
USES			
End-customers	868	970	1,607
Thermoelectric use	405	467	1,222
Heat usage	84	79	139
Wholesalers	445	1,678	2,241
TOTAL USES	**1,802**	**3,194**	**5,209**

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

Electricity Generation

Electricity generation is one of the historical businesses of the Group. The Group is a key player in the Italian market with consolidated experience in plant operation, a diversified and flexible fuel mix and an installed thermoelectric and hydroelectric net generation capacity for the market of 11.1 GW, as at 30 June 2013 (including the then 100 per cent. power capacity owned by Edipower prior to the execution of the non-proportional demerger of Edipower (see "*Recent Developments*" below) and excluding EPGC plants).

The Group has significantly increased its installed generation capacity during the current year. As a result of the Edipower acquisition, the Group acquired control of all of Edipower's generation capacity. Edipower's installed capacity is currently managed through a tolling agreement for thermal capacity and power purchase agreement (**PPA**) for hydroelectric plants.

Edipower's power plants include a fuel oil thermal power plant located in San Filippo del Mela (Messina), whose operation was declared "essential" for the electric system by Terna (the Italian Transmission System Operator, **TSO**). According to its status, the power plant is dispatched by the TSO in order to operate safely the transmission grid in Sicily and Edipower is refunded all relevant costs (fixed and variable, included a fair return on invested capital).

The following table shows the Group's generation portfolio capacity as at 30 June 2013.

FUEL	Plant	Unit	A2A's consolidation share	Capacity
			(per cent.)	*(MW)*
COAL	Brindisi (Edipower)	Brindisi 3	100	245
		Brindisi 4	100	245
	Monfalcone (A2A)	Monfalcone 1	100	148.50
		Monfalcone 2	100	156
COAL Total				**794.50**
GAS	Cassano d'Adda (A2A)	Cassano 1	100	230
		Cassano 2	100	758
	Chivasso (Edipower)	Chivasso 1	100	771
		Chivasso 2	100	382
	Gissi (Abruzzoenergia)	Gissi 1	100	419
		Gissi 2	100	419
	Piacenza (Edipower)	Piacenza 4	100	791
	Scandale (Ergosud)	Scandale 1	50	206.50
		Scandale 2	50	208.50
	Sermide (Edipower)	Sermide 3	100	386
		Sermide 4	100	766
	Turbigo (Edipower)	Turbigo 4[(2)]	100	791
	Ponti sul Mincio (A2A)	Mincio	45	178.20
GAS Total				**6,306.20**
OIL	San Filippo del Mela (Edipower)	San Filippo 1	100	152
		San Filippo 2	100	152
		San Filippo 3	100	152

FUEL	Plant	Unit	A2A's consolidation share	Capacity
		San Filippo 4	100	152
		San Filippo 5	100	291
		San Filippo 6	100	291
	Turbigo (Edipower)	Turbigo 1[(2)]	100	194
		Turbigo 2[(2)]	100	279
		Turbigo 3[(2)]	100	277
OIL Total				**1,940**
HYDRO	Brescia (A2A)	Cogozzo[(1)]	100	0.90
		Pompegnino[(1)]	100	2
		Prevalle Chiese[(1)]	100	2
		Roe Volciano[(1)]	100	2
		Prevalle	100	0.90
		Naviglio[(1)]		
	Calabria (A2A)	Albi	100	36
		Calusia	100	49
		Celeste	100	10.10
		Magisano	100	39
		Orichella	100	140
		Satriano1	100	15
		Satriano2	100	20
		Sersale	100	0.20
		Timpagrande	100	191
	Mese (Edipower)	Chiavenna	100	60
		Gordona	100	12.90
		Gravedona	100	14.70
		Isolato Madesimo	100	16.50
		Isolato Spluga	100	42
		Mese	100	148
		Prata	100	2.60
		Prestone	100	24
		San Pietro Sovera	100	2.70
		San Bernardo	100	33
	Milan (A2A)	Conca Fallata	100	0.30
	Tusciano (Edipower)	Bussento[(2)]	100	52
		Calore[(2)]	100	8.50
		Tanagro[(2)]	100	18.20
		Tusciano[(2)]	100	9.80
	Udine (Edipower)	Ampezzo	100	53.20
		Barcis	100	20.40
		Campagnola	100	1.10
		Cordenons	100	10.80
		Luincis	100	1.70
		Ponte Giulio	100	11.90
		Savorgnana	100	2.10
		Somplago	100	150
		V.Rinaldi	100	10.20
		San Foca	100	11.70
		San Leonardo	100	18.20
	Valtellina (A2A)	Boscaccia	100	3.30
		Braulio	100	20

FUEL	Plant	Unit	A2A's consolidation share	Capacity
		Grosio	100	420
		Grosotto	100	10
		Lovero	100	50
		Nuovo Canale	100	0.20
		Viola Premadio	100	234.60
		Sernio	100	0.20
		Stazzona	100	30
		San Giacomo	100	10
HYDRO Total				**2,022.9**

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Source: A2A S.p.A. internal data.

(1) Small hydroelectric run-of-river plants recently sold.

(2) Plants assigned to Iren Energia S.p.A. as from 1 November 2013 pursuant to the Edipower non-proportional demerger deed.

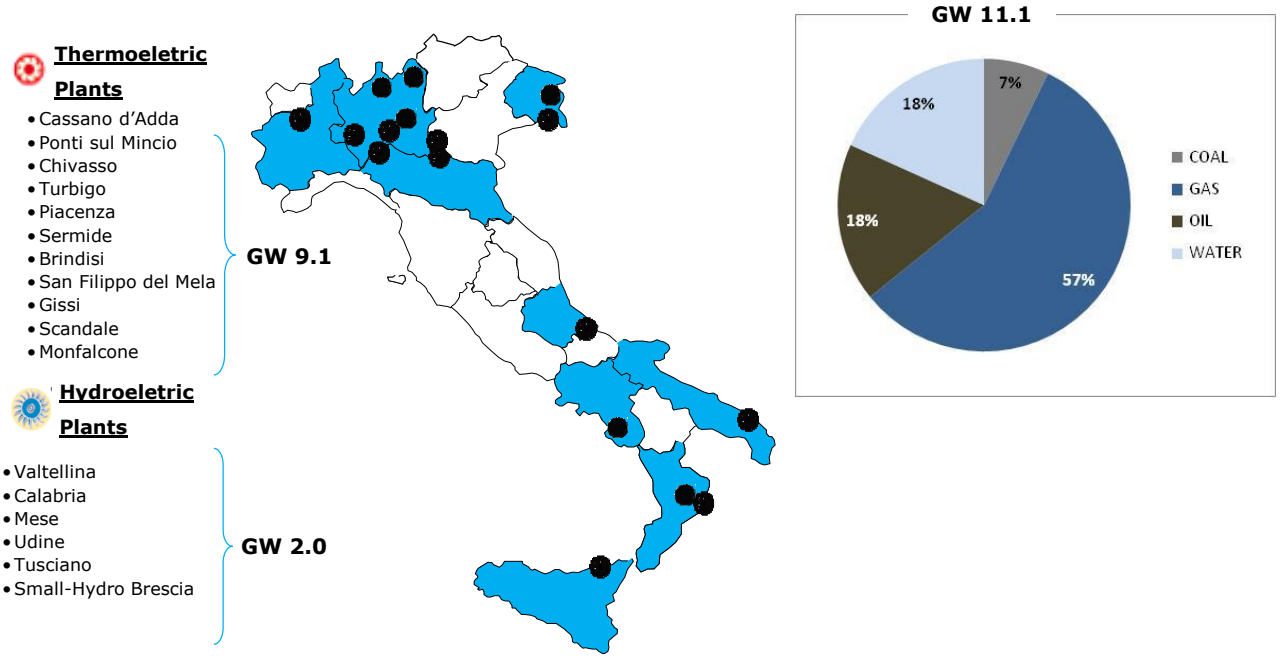
The minimum level of electricity demand throughout a day is known as "base load". The Group generally satisfies its base load sales through thermoelectric power generation while daily peaks in demand are principally met through increased reliance on the Group's hydroelectric plants, whose presence in the Group's asset base permits greater operational flexibility and faster responses to variations in demand. During periods of extended high levels of consumption, such as daytime hours, the Group relies on both thermoelectric and hydroelectric power to meet increased base load needs.

The Group's hydroelectric plants provide low operating-cost power with high reliability, since they are exposed to low weather risk. They are operated under licences (*concessioni*) granted by the relevant public authorities. (for further information see "−*Licences*" and "*Regulation*", below).

The Group holds insurance for technical breakdowns and environmental damage and monitors its hydroelectric dams continuously through a programme of scheduled and *ad hoc* inspections. The competent authority for dams in Italy is the *Servizio Nazionale Dighe*, which evaluates the status of each dam every six months and certifies each dam for operation annually. The Group has annual certifications of its thermoelectric plants under the voluntary European Eco-Management and Audit Scheme (**EMAS**) and various Quality Assurance Systems (**QAS**) standards, such as ISO9001 in relation to quality management systems, ISO14001 in relation to environmental management systems and BSOHSAS 18001 in relation to occupational health and safety management.

Electricity generation facilities

The diagram below shows the locations of the Group’s electricity generation facilities in Italy.



Source: A2A S.p.A. internal data.

In addition to the foregoing, as a result of the acquisition of a 43.70 equity interest in EPCG (the Montenegrin State Energy company) in 2009, A2A has become a strategic industrial partner of EPCG and in the past four years, it has strongly contributed to the development of production and distribution of the electrical sector, not only for Montenegro, but also for the entire Balkan region. EPCG is active in all aspects of the energy sector: production, distribution, and sale of electrical energy. It is the largest electricity operator in the Republic of Montenegro, and runs a thermoelectric plant, two hydroelectric plants and seven small hydroelectric plants, with installed overall capacity of 895MW, of which 76 per cent. is from renewable sources. With its approximately 19,000km of distribution network, EPCG supplies more than 350,000 users. EPCG is also active in construction, repair and maintenance of distribution networks.

The main projects developed since A2A assumed the management of EPCG are:

- replacement of the metering system for distribution customers: this is an ongoing project to install new digital meters which can be controlled remotely, improving both the efficiency of the system and the reliability for end-customers;

- revamping at TPP Pljevlja thermoelectric power plant: during the first half of 2012, significant works were carried out at the plant, with the substitution of certain critical mechanical parts to improve the reliability of the plant;

- installation and operation of the new billing system, with a strong improvement in terms of collection rate, from about 92% to about 96% in three years;

- development of a new project in hydro generation plants: a project to build a new small hydroelectric plant was developed and approved and the construction works planned will be completed by 2015. In partnership with another international player, a new company was established in 2010 (Zeta Energy, with a majority stake owned by EPCG) to manage and upgrade two major HPPs already in existence and to develop other new small hydro projects;

- reorganisation of EPCG: the new management has sought to optimise the organisational structure of EPCG, eliminate redundancies and improve the skills of EPCG's employees through specific training

programmes. The number of employees has decreased by approximately 10 per cent. in the last four years.

Energy Portfolio management

A2A Trading manages the Group's energy portfolio and is active in electricity, fuels and environmental certificates trading on national and international wholesale markets. A2A Trading covers the energy requirements of the Group and its customers by means of (i) its own generation facilities, which it manages so as to optimise the availability of production capacity, (ii) third parties' generation facilities under contract, (iii) trading on wholesale energy markets (including IPEX, Italy's power exchange for spot transactions), and also as a counterparty in bilateral trading contracts outside the regulated markets (OTC), and (iv) buying and selling on regulated markets abroad and/or by taking part in brokerage platforms.

With respect to the management of the Group's power plants, A2A Trading has entered into a number of off-take agreements with the companies of the Group owning the hydroelectric plants in Valtellina and in Calabria, and the thermoelectric plants in Cassano d'Adda, Ponti sul Mincio, Gissi and Monfalcone. With respect to thermoelectric plants, the off-take agreement is typically a tolling agreement. The Group company owning the plant transforms fuel procured by A2A Trading into electricity and A2A Trading pays that owner a fee based on the actual availability of the plant and its energy efficiency levels. Pursuant to the tolling agreement among Edipower and A2A Trading relating to thermal capacity and PPA for hydroelectric plants the Group, through A2A Trading, dispatches 100 per cent. of the productive capacity of the Edipower generation plants. Pursuant to this agreement, A2A Trading owns the fuel purchased and the electricity currently produced in the overall capacity of the Edipower generation plants (for further information, see "*Recent Developments*", below).

A2A Trading schedules production activities on a daily basis for the Group's generating plants. It is also responsible for assessing/monitoring potential risks deriving from the continuous balancing/coverage between the energy demanded from and the energy to be supplied to the final customers and responsible for assuming the risks relating to the variation in energy prices on the wholesale energy markets.

A2A Trading supplies electricity and gas, among other third-party wholesale counterparties, to A2A Energia S.p.A. (**A2A Energia**) (A2A Trading's main customer), a large electricity/gas wholesale company which itself then carries out marketing and sales activities to end users. By virtue of the agreements signed during the closing of the Edipower acquisition, A2A Trading also provides energy (deriving from Edipower production) to the other industrial shareholders (SEL Bolzano and Dolomiti Energia).

In order to maximise returns deriving from the Group's power plants, A2A Trading has been a member of the IPEX since April 2004 and has finalised bilateral agreements with several counterparts, acting as a wholesale customer. The Issuer is also significantly increasing its presence on the European markets, trading electricity in France, Switzerland, Germany, Austria, Slovenia and Greece.

In addition, through its presence on the principal environmental exchange markets (including BlueNext, GME and the European Climate Exchange (**ECX**)), A2A Trading also manages the Group's environmental related securities portfolio (mainly CO_2 Certificates and Green Certificates). In order to comply with the obligations of the Group, as an electricity and gas distributor, to increase end use energy efficiency, A2A Trading also trades White Certificates (on the GME and over-the-counter (**OTC**)) (for further information see "*Regulation*").

In 2012 the Group managed more than 5.2 bcm of natural gas, mainly through the activities of A2A Trading, which procures gas (and also non-gas fuels) for thermoelectric use and for residential and industrial customers of the Group. A2A Trading also sells gas to third-party wholesale counterparties both for hedging and for trading purposes. The procurement of gas is pursued through a set of contracts, diversified by

duration (long term, yearly and spot), by counterparties (in order to reduce the risk), by market place (regulated and OTC), by flexibility and by delivery point (foreign hubs, Italian border, PSV, end user).

The Group also manages gas shipping activities for itself and others over third party owned networks both in Italy and abroad, and, through its trading activity on the national and international markets, sources gas, not only for the Group, but also for onward sales to the wholesale market.

Sale of electricity and gas to end users

Through A2A Energia, Metamer S.r.l. and Aspem Energia S.p.A., the Group sells electricity and gas to industrial clients, small-medium enterprises and domestic customers.

With respect to electricity, since 1 July 2007 all end users have had the right to withdraw from their supply contracts and to select a different electricity provider on the open market. In such a case, prices and terms of electricity supply are subject to the contracts agreed between the parties. By contrast, for those end users that decide not to change supplier, the regulations provide that domestic customers and small businesses meeting certain criteria are governed by a regulated market ("*servizio di maggior tutela*") for which the Regulatory Authority establishes the electricity tariffs; and all other businesses are governed only by the "*safeguarded market*", which guarantees the supply of electricity, but typically at higher than market rates as an incentive to this category of business to access the open markets, (for further information on gas and electricity services see "*Regulation*", below).

With respect to natural gas, sales to non-domestic customers are based primarily on privately negotiated arrangements, whereas sales to domestic customers with consumption of less than 50,000m3/year are commonly based upon the Reference Economic Conditions regulated by the Italian Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica ed il Gas*) (**AEEG**) (for further information on gas and electricity services see "*Regulation*", below).

Heat and Services

This sector includes the activities of co-generation, district heating and the sale of heat, as well as other activities related to heat management and facility management services. Such activities may be summarised as follows:

- **Co-generation and District Heating**: production, distribution and sale of heat, production and sale of electricity, as well as operation and maintenance on the co-generation plants and district heating networks.

- **Heat management and other services**: management of heating plants owned by third parties and facility management.

The main economic and quantitative data for the Heat and Services sectors are set forth in the following tables.

Heat and services (Millions of euro)	**30 June 2013**	**30 June 2012**	**31 December 2012**
Total revenues	205	185	326
Gross operating income	57	44	73
% of revenues	27.8%	23.8%	22.4%
Depreciation, amortisation, provisions	(8)	(18)	(34)
Net operating income	49	26	39
% of revenues	23.9%	14.1%	12.0%
Gross Investments	13	19	49

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

GWht	30 June 2013	30 June 2012	31 December 2012
SOURCES			
Plants:	**756**	**668**	**1,128**
- Lamarmora	320	296	480
- Famagosta	92	85	140
- Tecnocity	42	34	61
- Other plants	302	253	447
Purchases from:	**710**	**643**	**1,089**
- third parties	171	145	254
- other sectors	539	498	835
TOTAL SOURCES	**1,466**	**1,311**	**2,217**
USES			
Sales to end-customers	1,436	1,311	2,217
TOTAL USES	**1,436**	**1,311**	**2,217**

Note: figures relating to Coriance Group are not included as it has been sold.

Heat is generated from the Group's eight co-generation plants (electricity and heat), heat generation and thermic-exchange plants in Italy.

The following table summarises the Group's co-generation portfolio.

Cogeneration plants	Installed *MWt*	Capacity *MWe*
Lamarmora (Brescia)	359	110
Nord (Brescia)	167	-
Brescia (Minor plants)	12	-
Famagosta (Milan)	129	19
Tecnocity (Milan)	52	20
Canavese (Milan)	73	15
Novate Milanese (Milan)	12	1
Milan (minor plants)	187	-
Bergamo	114	3
Varese	78	6

Source: A2A S.p.A. internal data.

Part of the heat generated by the Group comes from the WTE plants in Brescia, Figino (Milan) and Bergamo (which account for an overall installed thermal capacity of approximately 305MWt).

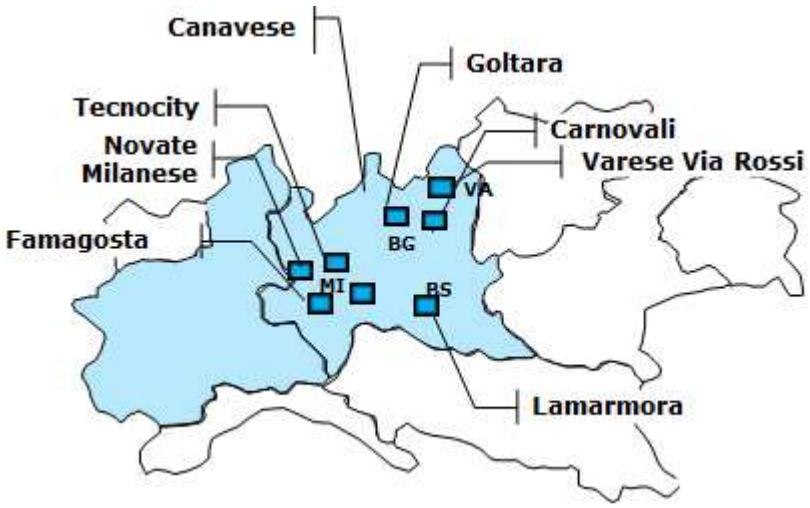
The Group's district heating service provides heating and cooling systems to customers through the management of individual utility plants located in end customers' buildings in Milan, Brescia, Bergamo and Varese.

Prices for district heating and heating management services do not fall within the regulatory pricing framework but are set by the Group on the basis of competitiveness with other means of delivering energy, among other factors.

The Group is currently developing urban district heating distribution networks in the provinces of Bergamo and Milan. In particular, an investment program amounting to over Euro 700 million in eight years has been drawn up in the heat sector, in order to develop district heating in certain cities of the Lombardia Region, including Milan, where the objective is to increase the Group's penetration share of the potential market between 7% and 20%, encouraging significant energy savings and a reduction in the emission of pollutants.

Heat and Services facilities

The diagram below sets out the location of the Group's Heat and Services facilities:



Source: A2A S.p.A. internal data.

Waste

The Waste sector includes the activities relating to the entire waste management cycle (for further information on the waste management service see "*Regulation*", below). Such activities may be summarised as follows:

- **Collection and street sweeping**: cleaning streets and collecting refuse for transport to its final destination.
- **Treatment**: treatment centres to recover or transform waste in order to make it suitable for recycling, incineration and energy recovery or disposal in a landfill.
- **Disposal**: this involves the final disposal of urban and special wastes in combustion plants or landfills, and where possible recovering energy through incineration or exploitation of biogas.

- **Design, construction and sales of waste treatment plants.**

The following tables set forth the main financial and quantitative operational data for the Waste sector.

Waste (***Millions of euro***)	**30 June 2013**	**30 June 2012**	**31 December 2012**
Total revenues	448	434	810
Gross operating income	155	140	219
% of revenues	34.6%	32.3%	27.0%
Depreciation, amortisation, provisions	(32)	(43)	(75)
Net operating income	123	97	144
% of revenues	27.5%	22.4%	17.8%
Gross Investments	18	17	48

	30 June 2013	**30 June 2012**	**31 December 2012**
Waste collected (Kton)[(1)]	460	473	910
Waste disposed of (Kton)	1,284	1,253	2,457
Electricity sold (GWh)	557	583	1,143
Heat sold (GWth) [(2)]	646	567	1,024

Note (1): waste collected in the municipalities of Milan, Brescia, Bergamo and Varese.

Note (2): quantities at intake point of waste plant.

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

In 2012, the Group collected 0.9 million tons of waste and treated 2.5 million tons of waste (53 per cent. through WTE, 42 per cent. through mechanical biological treatment (**MBT**) and other treatments and 5 per cent. through landfills).

The waste business is an important cash flow contributor, generating more than 20 per cent. of the Group's EBITDA. It is composed by four companies – A2A Ambiente S.r.l., Amsa S.p.A. (**Amsa**), Aprica S.p.A. (**Aprica**) and Partenope Ambiente S.p.A. (**Partenope Ambiente**) – operating along the entire waste value chain (waste, collection and road sweeping management cycle, treatment, disposal and recovery of materials and energy, including the recovery of energy content from waste through waste-to-energy and biogas plants). Amsa and Aprica deal with collection and road sweeping in the areas of Milan, Brescia, Bergamo and Como.

Pursuant to a combination, reorganisation and development plan of the environment sector, A2A Ambiente S.r.l. was set-up. Such reorganisation project is divided in two stages.

The first phase, regarding plants reorganisation, was completed on 1 July 2013 and brought to the transfer of the waste treatment and disposal plants from Amsa and Aprica to Ecodeco S.r.l. by means of a spin-off. Ecodeco S.r.l. was subsequently renamed A2A Ambiente S.r.l. (with effect from 11 November 2013, A2A Ambiente S.r.l. was transformed into A2A Ambiente S.p.A., hereinafter **A2A Ambiente**).

Post spin-off Amsa and Aprica will continue to operate in their local areas and with their trade names, carrying out their core business of urban hygiene and maintaining unchanged their relationship with their municipality customers (around 160, including those also served by the controlled G.Eco S.r.l.) and the high level of services provided to residents, who will therefore continue to interface with these companies in the same way as present. Amsa and Aprica will accordingly deliver waste to A2A Ambiente which will be responsible for its treatment and energy enhancement, thereby obtaining more than 1,400 GWh of electricity and over 1,000 GWh of thermal energy to be utilised in district heating for urban use.

The second phase, involving the simplification of the A2A Group's corporate structure, is expected to be completed by the end of 2013. A2A's shareholdings in Amsa, Aprica and Partenope Ambiente S.p.A. (which manages the Acerra waste-to-energy plant and the waste shredding, sifting and packaging plant at Caivano) will be contributed in kind to A2A Ambiente.

The aim of setting up the new company is to combine in one single entity an array of plants that is unique in the Italian market and to lay the foundations for a significant rationalisation and optimisation of the A2A Group's environmental hub, thus achieving economies of scale by exploiting synergies and improving the planning of waste flows.

Upon completion of the reorganisation plan, A2A Ambiente is expected to be the largest company in the waste disposal sector in Italy.[4]

The waste facilities of the Group are shown in the table below.

	Installed Capacity		
	Electricity (*MWe*)	**Heat (*MWt*)**	**Waste (*tons*)**
Waste-to-Energy plants			
Brescia	117.0	160	800,000
Figino (Milan)	59.1	118	550,000
Bergamo	10.6	25	60,000
Filago (Bergamo)	8.9	-	80,000
Corteolona (Pavia)	8.7	-	75,000
Mechanical biological treatment plants:			
Giussago (Pavia)	-	-	80,000
Corteolona (Pavia)	-	-	160,000
Lacchairella (Milan)	-	-	115,000
Cavaglià (Biella)	-	-	125,000
Villafalletto (Cuneo)	-	-	80,000
Montanaso (Lodi)	-	-	75,000
Cedrasco (Sondrio)	-	-	45,000
Biogas plants:			
Corteolona (Pavia)	4.8	-	-
Comacchio (Ferrara)	0.8	-	-
Barengo (Novara)	1	-	-
Villafalletto (Cuneo)	0,8	-	-
Terzigno (Napoli)	1	-	-
Cavaglià (Biella)	0.6	-	-
Gerenzano (Varese)	1.5	-	-
Montichiari (Brescia)	2.6	-	-
Calcinato (Brescia)	2.6	-	-
Castenedolo (Brescia)	0.3	-	-
Other waste treatment facilities:			
Muggiano (Milan)	-	-	80,000
Vobarno (Brescia)	-	-	14,000
Castenedolo (Brescia)	-	-	150,000

[4] Source: A2A internal elaboration of public available information.

	Installed Capacity		
	Electricity (*MWe*)	**Heat (*MWt*)**	**Waste (*tons*)**
Brescia (waste cleaning plant)	-	-	60,000
Milano (waste cleaning plant)	-	-	29,500
Bergamo (CDR plant)	-	-	55,000
Corteolona (Pavia) (mud recovery plant)	-	-	150,000
Giussago (Pavia)	-	-	120,000
Corteolona (Pavia)	-	-	15,000

Note: The table includes all the plants owned by the Group.
Source: A2A S.p.A. internal data.

The Group enjoys an important competitive advantage as a result of its ownership of several innovative waste treatment facilities (including MBT and WTE plants and landfill sites). Among such innovative waste treatment facilities is the WTE plant in Acerra (Naples) and the related waste treatment plants in Caivano (Naples) for which the Group, through the company Partenope Ambiente, has obtained a fifteen year contract concession. In accordance with the Presidential Decree of 16 February 2012, ownership of the WTE plant of Acerra was assigned to the Campania Region, which consequently became the other contracting party of Partenope Ambiente. The consummation of the contract between Partenope Ambiente and the Campania Region (also with respect to its extension to the Caivano facility) will be affected by the broader reorganisation of waste management in the Campania region in light of the termination of the emergency regime - still in force at the time of execution of the contract - and the innovation of the discipline of urban hygiene services.

A2A Ambiente might consider to further expand its waste operations internationally, leveraging on its current experience. It already has operational contracts relating to the exploitation of technology in London, Cumbria, Barnsley, Doncaster and Rotherham (England), Dumfries (Scotland), Heraklion (Greece) and Castellon de la Plana (Spain). A2A Ambiente expects to receive consideration pursuant to these contracts for the time equal to the useful life of the plants, being typically a period of 25 years (save for the plant in Heraklion, for which consideration is only due and payable for the first four years from commencement of commercial operation of the plant).

Networks

The networks sector includes the activities regulated by the sector authority, namely the management of electricity and gas networks and of the integrated water cycle. These activities are briefly described below.

- **Electricity networks**: the transmission and distribution of electricity over Group proprietary networks.

- **Gas networks**: the transport and distribution of natural gas over Group proprietary networks.

- **Integrated water cycle**: water capture, aqueduct management, water distribution, sewer management and water purification; water supply to customers over distribution networks owned by the Group.

The following tables set forth the main financial and quantitative operational data for the networks sector.

Networks (Millions of euro)	**30 June 2013**	**30 June 2012**	**31 December 2012**
Total revenues	361	363	685
Gross operating income	121	134	242

Networks (Millions of euro)	**30 June 2013**	**30 June 2012**	**31 December 2012**
% of revenues	33.5%	36.9%	35.3%
Depreciation, amortisation, provisions	(52)	(54)	(107)
Net operating income	69	80	135
% of revenues	19.1%	22.0%	19.7%
Gross Investments	50	53	123

	30 June 2013	**30 June 2012**	**31 December 2012**
Electricity distributed (GWh)	5,533	5,737	11,361
Gas distributed (Mcm)	1,227	1,195	2,010
Gas transported (Mcm)	234	230	400
Water distributed (Mcm)	32	33	69

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

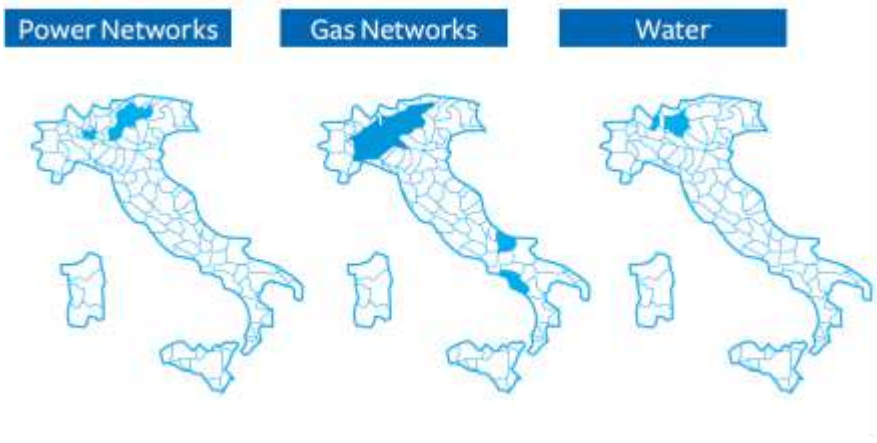
Revenues from the networks sector are regulated. The competent authority for the setting of distribution price tariffs for electricity, gas and water is the AEEG.

The Group is expected to benefit from investments made in the networks sector with the aim of making electricity, gas and water cycle distribution services increasingly wide-ranging, capillary and efficient in areas which are already covered and in neighbouring areas which are open to potential expansion.

Regulated electricity, gas, and water distribution operations are carried out under concessions and are therefore low risk, with stable earnings (for further information see "*Licences*" and "*Regulation*", below). The Group's assets comprise over 12,000km of electricity distribution and transmission lines, an over 8,000 km gas distribution and transport network, and over 7,000km water distribution and sewage network.

Group networks portfolio

The diagram below shows the locations of the Group's networks portfolio.



Source: A2A. internal data.

Electricity networks

The distribution of electricity is handled by A2A Reti Elettriche S.p.A. (**A2A Reti Elettriche**).

A2A Reti Elettriche provides electricity distribution services to over a million customers at high, medium and low voltage, supplying around 12,000GWh annually. Electricity is transformed by primary and secondary plants into medium-voltage and low-voltage electricity and distributed to customers through the Group's low and medium-voltage lines distribution network (currently approximately 12,000km).

A2A Reti Elettriche is responsible for network operations, maintenance and development and for ensuring continuity of service and ordinary maintenance, relying on remote-controlled monitoring for most of its activities.

Gas networks

The Group's natural gas distribution network consists of approximately 8,000 km of pipe, a number of primary and secondary pressure reduction stations, network stations and customer stations to regulate gas pressure for commercial and industrial uses.

The Group owns and operates its gas network, distributing to approximately 200 municipalities, mainly in the provinces of Milan, Brescia, Bergamo, Varese and in the Abruzzo region. Planning, maintenance and management of the Group's gas distribution network is carried out by A2A Reti Gas S.p.A. and by Aspem Varese in accordance with all applicable legislative and regulatory standards and with procedures designed to ensure the Group's continued certification as a public utility in compliance with EU quality control standards.

Integrated Water Cycle

Integrated water cycle refers to the management of three services: water supply network, sewerage system and waste water treatment (for further information on the integrated water cycle see "*Regulation*", below).

Management of the water network supply includes uptake and supply of drinking water, including water purification and drinking water treatment actions where necessary. The drinking water supplied comes from spring water and water wells. Water is supplied to the municipalities of Brescia and Varese and several municipalities throughout the two respective provinces, covering a total of about 120 towns and about 900,000 inhabitants. The water network used covers more than 7,000km. In Brescia and its province, the water supplied is drawn from about 200 springs and 170 wells, and in the province of Varese from 40 springs and 85 wells. The total water supplied is equivalent to 69 million cubic meters per year. The water supply networks are managed in Brescia and its surrounding province by A2A Ciclo Idrico S.p.A. and ASVT S.p.A., and in Varese and its province by Aspem.

The sewerage system consists of the gathering and collection of sewerage into waste water treatment plants (**WWTP**). The sewerage systems run by the Group serve 81 towns and almost 650,000 inhabitants.

In the WWTP, the sewerage is then treated to eliminate pollutants to ensure that its quality is in line with environmental protection standards in the areas to which it is then returned. The Group has developed a major plant to treat waste water in Verziano (Brescia), which is connected to the sewerage networks, and can treat an equivalent of 250,000 inhabitants. Overall, the Group's water and waste water activities serve 68 towns and nearly 550,000 inhabitants.

In addition, the Group manages water treatment plants in several municipalities, and the sewerage system in Brescia and other municipalities. The service is managed by A2A Ciclo Idrico.

Corporate and Other Services

The following is a brief description of the activities carried out with respect to this sector:

- **Corporate**: supervision, coordination and control activities, such as business development, strategic direction, planning and control, financial management and the coordination of the Group's activities; central services to support the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology and telecommunications) provided by A2A under specific intercompany service contracts;

- **Other Services**: activities relating to video surveillance, data transmission, telephony and internet access services.

The following tables set forth the main financial data for the Corporate and Other Services sector.

Other Services and Corporate Sector (Millions of euro)	**30 June 2013**	**30 June 2012**	**31 December 2012**
Total revenues	115	123	250
Gross operating income	(16)	(1)	(7)
% of revenues	(13.9%)	(0.8%)	(2.8%)
Depreciation, amortisation, provisions	(16)	4	(31)
Net operating income	(32)	3	(38)
% of revenues	(27.8%)	2.4%	(15.2%)
Gross Investments	6	12	30

Source: interim consolidated financial statements for the six months ended 30 June 2013 and annual consolidated financial statements for the year ended 31 December 2012 of the Issuer.

Licenses

Hydroelectric plants

The following table summarises the Group's hydroelectric concessions.

Hydroelectric plant	**Expiry date**
Braulio	28/07/2013 *
Premadio 1	28/07/2013 *
Premadio 2, San Giacomo, Fraele	31/12/2043
San Giacomo	31/12/2013
Grosio	15/11/2016
Lovero	31/12/2010**
Stazzona	31/12/2010**
Grosotto	31/12/2010**
Calabria	All will expire in 2029
Edipower	All will expire in 2029

* These concessions have been extended by a *Decision of the Giunta Regionale* No. X/575 of 2 August 2013, which declared the "Transitional continuation of the exploitation" until a new concession is awarded (provisionally, until 28/07/2014).

** These concessions have been extended by a *Decree-of the Giunta Regionale* No. 1205 of 29 December 2010 of Regione Lombardia, which declared the "Transitional continuation of the exploitation", until a new concession is awarded.

Source: compiled internally by A2A S.p.A. on the basis of each licence.

Legislative Decree No. 83 of 22 June 2012 (the **Development Decree**), as converted into law by Parliament (Law No. 134 of 7 August 2012) defines, *inter alia,* the criteria for all large water concessions tenders and sets out the criteria to evaluate the level of compensation due to former concession holders in exchange for any relevant assets transferred where these lose the mandate.

Article 37 of the Development Decree provides that five years before 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 concession shall be for a period of 20 years up to a maximum of 30 years, depending on the level of investment offered. 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, but 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 actions set out in order to ensure conservation of the reservoirs' capacity.

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 five-years' time-limit of the regime set above cannot therefore apply) the new provisions establish a transitional scheme according to which (i) the new concessions for the plants of Lovero, Stazzona and Grosotto should be awarded with effect from 1 January 2016, and (ii) the new concessions for Premadio 1 and Grosio should be awarded with effect from 1 January 2018. In both cases, the new concessions are to be awarded by way of a public tender in accordance with local regulations and the fundamental principles of protection of competition, freedom of establishment, transparency and non-discrimination. It must be taken into account that the implementation rules for the tender itself still have to be established by the competent governmental and regional bodies, thus causing a significant degree of uncertainty about the actual possibility to comply with the above quoted deadlines.

Article 37 further establishes that the out-going concession holder has to transfer to any new concession holder its relevant division. The consideration to be paid to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority and 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 revalued 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. In the absence of such agreement, the amount will be established by an independent body composed of three qualified and independent members.

Electricity distribution

The conventions, issued pursuant to the provisions of article 9 of Legislative Decree n.79 of 16 March 1999 (the **Bersani Decree**), all expire at the end of 2030 (for further information on electricity distribution see "*Regulation*", below).

On 31 December 2012 the Issuer managed the energy distribution service for 50 municipalities, including Milan and Brescia, the larger cities of the Italian region of Lombardy. The energy distribution grid length altogether measured 13,074 km, and the service users amounted to 1,117,902.

Natural gas distribution

The main municipalities served by the Group are Milan, Brescia, Bergamo and Varese.

The gas market is regulated by Legislative Decree No. 164/00 of 23 May 2000 (the **Letta Decree**) which has been amended several times since its entry into force, also with reference to the distribution of gas. In particular, under the Letta Decree the distribution of gas will be provided by operators identified with public bids organised at a level over the municipality and within territorial areas that were defined by the Ministerial Decrees of 19 January 2011 and 18 October 2011. Such public bids must follow the rules dictated by the Ministerial Decree No. 226 of 12 November 2011. The substitutions of one operator with another operator must ensure the protection of the workforce, as set out in Ministerial Decree of 21 April 2011, and a fair compensation must be recognised to the outgoing operator for the goods which will be available to the new operator (for further information on natural gas distribution see "*Regulation*", below).

On 31 December 2012 the Group managed the gas distribution and measurement services for 209 municipalities, including Milan, Brescia, Bergamo and Varese, through 8,054km of gas distribution grids with more than 1.42 million connected users.

Waste

The Group has licences for all its waste operations throughout the regions of Lombardia and Piemonte. Summary detail on the licences for the four most significant waste operations is set out in the table below.

Geographical Area	**Type of licence**	**Expiry**
Milan	Collection, street sweeping, transport and disposal	31/12/2021
Brescia	Collection, street sweeping, transport, disposal, treatment and recovery	31/12/2050
Bergamo	Collection, street sweeping, transport, disposal, treatment and recovery	31/12/2023
Varese	Collection and transport	31/12/2034
Como	Collection, street sweeping, transport and disposal (but municipal solid waste), treatment and recovery (but municipal solid waste)	31/12/2020

Source: compiled internally by A2A S.p.A. on the basis of each licence.

Integrated Water Cycle

The Group has licences for all its integrated water cycle operations throughout the region of Lombardia. Summary detail on the licences for the three most significant integrated water cycle operations is set out in the table below.

Municipality	**Type of licence**	**Expiry**
Brescia	Aqueduct, sewage system and purification	Duration equal to that of the company
Province of Brescia	Aqueduct, sewage system and purification	Between 2020 and 2032
Varese	Aqueduct, sewage system and purification	Between 2019 and 2036

Source: compiled internally by A2A S.p.A. on the basis of each licence.

INNOVATION, DEVELOPMENT AND RESEARCH

A2A currently conducts a number of research and development projects relating to the sectors in which it operates, with the aim of improving its processes and operations. In particular, A2A's current innovation, development and research activities involve, *inter alios*, projects relating to energy efficiency, reduction in greenhouse gas emissions and negative effects on the environment. A2A plans to continue its current research and development projects.

EMPLOYEES

The A2A Group had an average workforce of 12,604 persons as at 30 June 2013 of whom 995 joined following the consolidation of Edipower. For further information, see the section headed "*Labour costs*" of the notes to the half-yearly financial report as at 30 June 2013 (Note 29) incorporated by reference into this Base Prospectus.

LEGAL PROCEEDINGS

In the ordinary course of its activities, A2A and the other companies of the Group are presently involved in a number of civil, administrative and tax proceedings. The companies of the Groups might also be subject to criminal investigations and/or proceedings. A2A and the other companies of the Group have conducted a review of their on-going litigation and have made provisions, considered appropriate in light of the circumstances, when a loss is certain or probable and reasonably estimable, in accordance with applicable accounting principles.

In certain cases when A2A believes that an adverse outcome of a given litigation or proceedings may not occur or that such dispute may be resolved in a satisfactory manner and without significant impacts on the Company, no specific provisions are made in the A2A consolidated financial statements.

For a detailed description of the legal proceedings and investigations involving the companies belonging to the A2A Group see the section of the half-yearly financial report as at 30 June 2013 headed "*Update of the main legal and fiscal disputes pending*", incorporated by reference into this Base Prospectus (for further information see "*Information incorporated by reference*", below). For further information, see also the interim reports on operations as at 30 September 2013 of the Issuer.

LEGISLATIVE AND REGULATORY FRAMEWORK

Some of the Group's operations are within regulated sectors. The legislative and regulatory environment within which the Group operates is described in detail in the section entitled *"Regulation"*. See also *"Risk Factors—Risks relating to law, regulation and the industries in which the Group operates"*.

RECENT DEVELOPMENTS

Interim results as at and for the nine months ended 30 September 2013

On 7 November 2013, the the Management Board of the Issuer approved the unaudited consolidated interim quarterly reports as at and for the nine months ended 30 September 2013.

The unaudited consolidated interim quarterly reports of A2A as at and for the nine months ended 30 September 2013 are incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*" above).

Non-proportional partial demerger of Edipower

In execution of the agreements signed between A2A and Iren at the time of the acquisition of Edipower, which took place on 24 May 2012, and following the exercise – occurred in January 2013 – of Iren's rights as provided for by that agreement, on 24 October 2013 Edipower and Iren Energia signed the deed for the non-proportional demerger of Edipower.

As a result of the non-proportional demerger, Iren Energia, is assigned a compendium constituted of Turbigo thermoelectric plant and Tusciano hydroelectric complex, comprehensive of the plants' personnel, the financial assets and liabilities relating to those power plants and a financial debt of Euro 44.8 million. The demerger has resulted in the complete exit of the Iren Group from Edipower's shareholding.

The transaction has become effective from 1 November 2013; an adjustment mechanism is foreseen, based on the balance sheet as of the demerger's effective date.

Subsequent to this transaction, the share capital of Edipower has been distributed as follows: A2A will own 71%, Dolomiti Energia 8.5%, SEL 8.5%, Mediobanca 5.1%, Fondazione CRT 4.3%, and BPM 2.6%.

As a result of this transaction, A2A will fully dispatch the installed capacity of the plants of Edipower plants, thus optimizing the management of the Group's generation portfolio. At the same time, the initiatives aimed at increasing the operational efficiency could be substantiated through a more comprehensive integration between A2A and Edipower.

Release of Standard & Poor's new corporate ratings criteria

In November 2013, Standard & Poor's has released the new corporate ratings criteria for determining the issuer credit ratings of corporate industrial companies and utilities.

The new criteria are a comprehensive set of methodologies that include the corporate ratings methodology, country risk, industry risk, ratios & adjustments, group ratings methodology, and ratings above the sovereign. Standard & Poor's has also published a number of key credit factors for various industry sectors that provide further guidance on the application of the criteria to specific industries.

Standard & Poor's has stated that the new criteria provide market constituents with greater insight into the ratings process, and enhance the global comparability of its ratings through a clear, comprehensive, and globally consistent criteria framework – while maintaining analytical judgment.

As at the date of this Base Prospectus, A2A is not in a position to estimate the impacts that the new corporate ratings criteria issued by Standard & Poor's might have on its current rating and on the rating assigned to the Programme.

SHAREHOLDERS

As at the date of this Base Prospectus the majority of A2A voting share capital is held by two public shareholders (the Municipality of Brescia and the Municipality of Milan) who have entered into a shareholders' agreement (the "**Public Shareholders' Agreement**") pursuant to which they have undertaken to, *inter alia*, maintain at least 50 per cent. plus two of A2A voting shares. In addition, Article 9 of the Issuer's by-laws provides that no shareholders other than the Municipality of Brescia and the Municipality of Milan may hold an equity interest in A2A greater than 5 per cent. of its share capital.

According to communications provided pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**"), and available information, as at the date hereof shareholders with a shareholding exceeding 2 per cent. of the A2A voting capital were as follows:

Declarer	Direct Shareholder	Type of shareholding	Percentage of voting capital
Municipality of Brescia	Municipality of Brescia	Owner	27.456%
	Total		**27.456%**
Municipality of Milano	Metropolitana Milanese S.p.A.	Owner	0.002%
	Municipality of Milano	Owner	27.454%
	Total		**27.456%**
Carlo Tassara S.p.A.	Carlo Tassara S.p.A.	Owner	2.512%
	Total		**2.512%**

Source: CONSOB (*Commissione Nazionale per le Società e la Borsa*) website

The remaining percentage of shares is held by market investors.

A2A is not subject to the management and coordination of any company in accordance with Article 2497 *et seq* of the Italian Civil Code. Moreover, A2A is not controlled by any other company.

CORPORATE GOVERNANCE

Corporate governance rules for Italian companies, such as A2A, whose shares are listed on the Italian Stock Exchange (Borsa Italiana S.p.A.) are provided in the Italian Civil Code, the Financial Services Act, CONSOB Regulation No. 11971 and the voluntary code of corporate governance issued by the Italian Stock Exchange. (the "**Corporate Governance Code**").

The Issuer has adopted a two-tier system of corporate governance (*modello dualistico*), based on an organisational model involving shareholders' meetings, a supervisory board (*consiglio di sorveglianza*) (the "**Supervisory Board**") and a management board (*consiglio di gestione*) (the "**Management Board**").

In order to ensure that public control of A2A is maintained, the Issuer's by-laws provide that each the Municipality of Brescia and the Municipality of Milan shall have the power to appoint six of the fifteen members who comprise the Supervisory Board. The minority shareholders have the power to appoint the remaining three members.

Supervisory Board' members are appointed by a shareholders' meeting for a maximum period of three financial years. The by-laws of A2A provide for a voting list system for the appointment of all members of

the Supervisory Board. In addition, pursuant to the Public Shareholders' Agreement, the Chairman and the Deputy Chairman are designated in accordance with the turnover criteria (*criterio dell'alternanza*) by the Municipality of Brescia and the Municipality of Milan.

The Supervisory Board has the powers usually entrusted to the shareholders' meeting under the traditional system of corporate governance. It is authorised, *inter alia*, to appoint members of the Management Board, to establish their remuneration, to approve the Issuer's financial statements, and to authorise management's strategic decisions and any extraordinary transactions. In addition, the Supervisory Board has supervisory duties.

Pursuant to A2A's by-laws, the Management Board is composed of eight members, who are all appointed by the Supervisory Board for three financial years. The by-laws also provide for a voting list system for the appointment of all members of the Management Board.

The Management Board has the power to perform the tasks involved in managing A2A. It is authorised to take all the steps that it deems appropriate in order to achieve A2A aims and corporate objectives. In addition, it is vested with the power, *inter alia*, to approve the strategic, industrial and financial plans of the Group, and to appoint the managing directors of the Group and the director responsible for drafting the Issuer's financial statements for auditing purposes.

Management

Supervisory Board

The shareholders' meeting held on 29 May 2012 appointed 'the Supervisory Board for a period of three financial years. Unless their office is terminated early, all members will remain in office until the shareholder's meeting called to approve A2A's financial statements for the financial year ending 31 December 2014.

The following table sets out the current members of the ' Supervisory Board.

Supervisory Board	
Member	**Position**
Pippo Ranci Ortigosa	Chairman
Fausto Di Mezza	Deputy Chairman
Marco Baga	Member
Alessandro Berdini	Member
Marina Brogi	Member
Michaela Castelli	Member
Mario Cocchi	Member
Marco Manzoli	Member
Enrico Giorgio Mattinzoli	Member
Marco Miccinesi	Member
Andrea Mina	Member
Stefano Pareglio	Member
Massimo Perona	Member
Norberto Rosini	Member
Angelo Teodoro Zanotti	Member

Source: semi-annual consolidated financial statements as at and for the six months ended 30 June 2013.

The business address of each of the Supervisory Board members is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Committees of the Supervisory Board

Under the authority conferred on it by A2A's by-laws, the Supervisory Board has deemed it appropriate to establish specific committees, with members drawn from the Supervisory Board, and to determine their powers and the rules for their functioning. Such committees have a consultative and advisory role.

As at the date of this Base Prospectus, the following committees have been created within the Supervisory Board:

- **Internal Control Committee**, having the task of, *inter alia*: (i) assisting the Supervisory Board in the evaluation of the internal control system with specific regard to the accounting information system and to the internal audit function; and (ii) assisting the Supervisory Board in the approval of the Issuer's financial statements for auditing purposes. In accordance with A2A's by-laws, the Internal Control Committee is made up of four members.

- **Appointments Committee**, having the task of, *inter alia*, assisting the Supervisory Board in the appointment of the Issuer's management and supervisory bodies. In accordance with A2A's by-laws the Appointments Committee is made up of four members.

- **Remuneration Committee**, having the task of, *inter alia*: (i) assisting the Supervisory Board in the determining the remuneration of members of both the Management Board and Supervisory Board holding special office; (ii) expressing opinions on incentive plans relating to members of the Management Board and Supervisory board, Group' employees, 'and A2A' employees. Pursuant to A2A's by-laws, the Remuneration Committee is made up of four members.

Moreover, 'the Supervisory Board has passed a resolution to establish the **Community Committee**[5], having the task of, *inter alia*: (i) assisting the Supervisory Board in the definitions of the guidelines concerning cultural and fundraising initiatives; (ii) assisting the Supervisory Board in the promotion of the image of the Group; (iii) monitoring the impact of the Issuer's activities on the areas in which it operates; and (iv) expressing proposals concerning the corporate and environmental responsibility of the Group. The Community Committee is made up of five members.

Management Board

The Supervisory Board' meeting held on 11 June 2012 appointed 'the Management Board. All members will remain in office until the Supervisory Board' meeting called to approve A2A's financial statements for the financial year ending 31 December 2014.

The following table sets out the current members of the 'the Management Board.

Management Board		
Member	**Position**	**Independent/Executive/Non-Executive**
Graziano Tarantini	Chairman	Non-Executive
Francesco Silva	Deputy Chairman	Independent & Non-Executive
Giambattista Brivio	Director	Independent &Non-Executive
Stefano Cao	Director	Independent & Non-Executive
Bruno Caparini	Director	Independent & Non-Executive
Maria Elena Cappello	Director	Independent & Non-Executive
Renato Ravanelli	Managing Director	Executive
Paolo Rossetti	Managing Director	Executive

[5] The Community Committee has replaced, with full powers, the previous Corporate Donations Committee.

Source: semi-annual consolidated financial statements as at and for the six months ended 30 June 2013.

The business address of each member of the Management Board is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Independent directors

The current Management Board includes five directors who meet the requirements of independence and qualify as independent members in accordance with the guidelines provided for by the Corporate Governance Code. As at the date of this Base Prospectus, the independent directors are Giambattista Brivio, Stefano Cao, Bruno Caparini, Maria Elena Cappello and Francesco Silva.

The Management Board has chosen not to designate a lead independent director, since, having regard to the current organisational structure of the Management Board whereby the positions of Chairman and Chief Executive Officer are not held by the same person, it considered that the Corporate Governance Code' does not make further requirement for such position.

Significant positions held by management outside the Group

The table below lists the positions on boards of directors, boards of statutory auditors, and supervisory committees, as well as other positions, other than those within A2A, held by 'the members of the Management Board and Supervisory Board.

Supervisory Board Member	**Title**	**Other relevant positions held**
Pippo Ranci Ortigosa	Chairman	Chairman of the Board of Appeal of the EU Agency for the Cooperation of Energy Regulators (ACER) Member of the Board of Consultation Committee of the Pattichiari Consortium (ABI)
Fausto Di Mezza	Deputy Chairman	Chairman of the Board of DMZ Investimenti S.r.l.
Marco Baga	Member	Head of Investment Banking – Banca Profilo S.p.A.
Alessandro Berdini	Member	None
Marina Brogi	Member	Independent Director in following listed companies: UBI Banca, Impregilo and Prelios. Chairman of the Board of Statutory Auditors of Fratelli Branca Distillerie S.r.l. Statutory Auditor of Branca International S.p.A. Intermediaries in crisis: Chairman of the Monitoring Committee of BCC Credito Fiorentino in LCA and Cape Natixis SGR S.p.A.
Michaela Castelli	Member	Member of the Board of Directors of Seat Pagine Gialle S.p.A. Member of the Supervisory Board of Seat Pagine Gialle S.p.A. Member of the Board of Statutory Auditors of River Holding S.p.A. Chairman of the Supervisory Board of Bellco S.p.A. Chairman of the Supervisory Board of Teva Italia S.r.l.
Mario Cocchi	Member	Chief Executive Officer of Carlo Tassara S.p.A. Sole Director of Terzo Salto S.r.l. Chairman of the Board of Directors of Fondazione Tassara Director of Carlo Tassara International S.A. Director of Carlo Tassara Asset Management S.A. Chief Executive Officer of Metalcam S.p.A. Chairman of the Board of Directors of Adamello Steel S.p.A. Chairman of the Board of Directors of Metalcam Tools Steel S.p.A. Chairman of the Board of Directors of B.S. S.r.l.

Supervisory Board Member	Title	Other relevant positions held
		Sole Director of Adamello Meccanica S.r.l. Chairman of the Board Of Directors Of Valforge S.r.l. Chairman of the Board of Directors of Lavoro 3 S.p.A. Chief Executive Officer of Borno Energia Pulita S.p.A. Director of Finanziaria Di Valle Camonica S.p.A. Director of Network Capital Partners S.r.l.
Marco Manzoli	Member	Chairman of the Supervisory Board of Gas Plus S.p.A. Sole Statutory Auditor of Gas Plus Italiana S.r.l. Statutory Auditor of Aegis Media Italia S.p.A. Statutory Auditor of Palazzo Grassi S.p.A. Statutory Auditor of Società Padana Energia S.p.A. Sole Statutory Auditor of Gas Plus Vendite S.r.l. Director of CTPS S.r.l. Statutory Auditor of Nadella S.r.l. Statutory Auditor of Nooter Eriksen S.r.l. Chairman of the Board of Statutory Auditors of Reggente S.p.A. Statutory Auditor of the Società Umanitaria Fondazione P.M. Loria Sole Statutory Auditor of Gas Plus Reti S.r.l. Sole Statutory Auditor of Gas Plus Storage S.r.l.
Enrico Giorgio Mattinzoli	Member	Chairman of the Board of Directors of the Association of Artisans of the city and Muncipality of BresciaChairman of the Board of Directors of Assoartigiani S.c.r.l. Director of Artfidi Lombardy S.c.r.l. Director of Editoriale Teletutto Bresciasette Ltd. Director of Radiocronache Bresciane S.r.l. Sole Director of Elnik Projects General Partner of Elnik Commerciale S.A.S. Director of Dintec S.c.r.l. Director of Tecnoborsa S.c.p.a. Director of A.B. and M. Società Aeroporto Brescia e Montichiari S.p.A. Director of Futurimpresa S.G.R. S.p.A.
Marco Miccinesi	Member	Member of the Steering Committee of the "Centre for the Study of Ecclesiastical Entities (CESEN)" at Università Cattolica del Sacro Cuore of Milan Director of the Centre for the Study and Research of Italian and Comparative Tax Law of the Università Cattolica del Sacro Cuore of Milan Chairman of the International Observatory on Customs and Excise Duties of the Università Cattolica del Sacro Cuore of Milan. Academic Correspondent of the Accademia dei Georgofili" Member of the EvaluationCommittee of the Journal "Tax Review" Member of the Teachers' Board of the Doctoral course in Juridical Sciences of the University of Pisa. Member of the Scientific Committee of the Masters course in Corporate Criminal Law organised by the Università Cattolica del Sacro Cuore of Milan. Member of the Executive Committee of the Journal "Tax Jurisprudence" Vice Chairman of the Board of Directors of Bassilichi S.p.A. Chairman of the Board of Directors of Bi-Elle Finanziaria S.p.A. Chairman of the Board of Directors of Bonaldi S.p.A. Chairman of the Board of Directors of Bonaldi Motori S.p.A. Chairman of the Board of Directors of Bonaldi Tech S.p.A. Chairman of the Board of Directors of BVA Leasing S.p.A. Chairman of the Board of Directors of Comfortauto S.r.l.

Supervisory Board Member	Title	Other relevant positions held
		Chairman of the Board of Directors of Lorenzo Bonaldi S.r.l. Chairman of the Board of Directors of MDP S.r.l. Chairman of the Board of Directors of Sevian S.r.l. President of the Foundation A.R. Card. ONLUS Chairman of the Board of Statutory Auditors of Accelera S.r.l. Chairman of the Board of Statutory Auditors of Simis S.r.l. Chairman of the Board of Statutory Auditors of NerPharMa DS S.r.l. Chairman of the Board of Statutory Auditors of Nerviano Medical Sciences S.r.l. Chairman of the Board of Statutory Auditors of NerPharMa S.r.l. Chairman of the Board of Statutory Auditors of UP S.r.l. Chairman of the Auditing Body of the Regional Foundation for Biomedical Research Chairman of the Board of Statutory Auditors of CLIOSS S.r.l. Statutory Auditor of NMS 2009 S.r.l. Statutory Auditor of Kedrion S.p.A. Statutory Auditor of Kedrion Group S.p.A. Member of the Board of Directors of Bidachem S.p.A. Member of the Board of Directors of Boehringer Ingelheim Italy S.p.A. Member of the Board of Directors of the MT - ManifatturaTabacchi S.p.A.Member of the Auditory Board of La Merchant S.p.A.
Andrea Mina	Member	None
Stefano Pareglio	Member	Member of the Steering Committee/Scientific Committee, Research Centre on the Environment, Energy and Sustainable Development (UCSC) Member of the Steering Committee, Postgraduate School on the Environment (UCSC) Member of the Steering Committee: Masters eourse on Human Development and Environment (UCSC)/Masters course on Food Management and Green Marketing (UCSC) Scientific Officer, EMAS and Ecolabel School (UCSC) Chairman, National Commission on Plan, Environment and Energy (INU) Scientific coordinator, Istituto di ricerche economia e ambiente S.r.l.
Massimo Perona	Member	Directors of Vei Capital S.p.A. Director of Snai S.p.A. Director of Terrae S.p.A. Director of Telco S.p.A.
Norberto Rosini	Member	Chairman of the Board of Auditors of Anselmi Cav.Faustino S.p.A. Director of Nofra S.r.l. President of the Legal Auditors of Consorzio Servizi Valle Camonica Sole Director of Gironofra Re S.r.l. Sole dDrector of Caorle Investimenti S.r.l.
Angelo Teodoro Zanotti	Member	Member of the Board of Statutory Auditors of S.T.E.A. Environmental Technology Services S.p.A., FEN S.r.l. and Cooperativa Artigiana di Garanzia Soc Coop. Chairman of the Board of Statutory Auditors of A.L.E.R. Brescia

Management Board Member	Title	Other relevant positions held
Graziano Tarantini	Chairman	Chairman of Banca AKROS S.p.A.
Francesco Silva	Deputy Chairman	None
Giambattista Brivio	Director	None
Stefano Cao	Director	Director of the following companies: – Autostrade per l'Italia S.p.A.; – Aeroporti di Roma S.p.A.; – Petrofac Limited; – LivenergiesS.r.l.; – Exploenergy S.r.l.
Bruno Caparini	Director	Chairman of the Relief Committee of Euronord Holding S.p.A. Chairman of the Board of Directors of Sviluppo Tecnologico S.r.l. Chairman of the Scientific Committee CCR (Consorzio Calcolo e Ricerca Internazionale) for the Lombardyand Rome regionsMember of Board of Directors of Energy Cluster
Maria Elena Cappello	Director	Independent Director of Prysmian and Member of the Internal Audit Committee Independent Director of Sace and President of the Remuneration Committee
Renato Ravanelli	Managing Director	Inframed Infrastructure Fund, Independent Member of the Investment Committee
Paolo Rossetti	Managing Director	Chairman of CIG Chairman of the Energy Networks Committee on Federutility

Source: A2A S.p.A. internal data based on each member's declaration.

Conflicts of interest

As at the date of this Base Prospectus there are no potential or existing conflicts of interest between the duties of the members of Supervisory Board and the Management Board to A2A and their private interests or other duties.

Transactions with related parties

On 11 November 2011, the Management Board approved a new procedure to regulate the approval and execution of transactions with related parties entered into by A2A, directly or through subsidiaries, which was adopted in accordance with the provisions of Article 2391-*bis* of the Italian Civil Code as implemented by CONSOB Regulation No. 17221 of 12 March 2010 (as subsequently amended by CONSOB Regulation No. 17839 of 23 June 2010). This procedure replaced, with effect from 1 January 2011, any previous regulation for transactions with related parties approved by the Management Board of the Issuer and was subsequently amended on 1 August 2012. For further information, see section No. 39 "*Note on related party transaction*" of the notes to the half-yearly financial report as at 30 June 2013 incorporated by reference into this Base Prospectus.

INDEPENDENT AUDITORS

The Issuer's current independent auditors are PricewaterhouseCoopers S.p.A., with its registered office at Via Monte Rosa, 91, Milan ("**PwC**" or the "**Independent Auditors**").

PwC is registered under No. 119644 in the Register of Independent Auditors held by the Ministry of Economy and Finance and is also a member of the ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

The Independent Auditors' current appointment was conferred for the period 2007 – 2015 by the shareholders' meeting held on 26 April 2007 and will expire on the date of the shareholders' meeting convened to approve A2A's financial statements for the financial year ending 31 December 2015.

PC audited, *inter alia*, the consolidated annual financial statements of the Issuer for the financial years ended 31 December 2011 and 31 December 2012.

REGULATION

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 by the European Commission. In this regard, following previous EU Directives regarding the single European energy market (EU Directives No. 96/92/EC and 98/30/EC, and EU Directives 2003/54/EC and 2003/55/EC), the European institutions have adopted the so-called "third energy package" (EU Directives No. 2009/72/EC and 2009/73/EC and Regulations (i) (EC) No. 715/2009 on conditions for access to the natural gas transmission networks, (ii) (EC) No. 714/2009) on conditions for access to the network for cross-border exchange of electricity and (iii) (EC) No. 713/2009 on the establishment of the Agency for the Cooperation of Energy Regulators (**ACER**)), aimed at completing the liberalisation of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States were able to choose between the following three options:

- Full Ownership Unbundling (**OU**). 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.

- 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 that enhance consumers' rights, such as the right: (i) to change supplier within three weeks, and to receive the final closure account no later than six weeks after switching suppliers; (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 have 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 EU.

The Directives referred to above were implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**), that set up the following principles:

- Unbundling: the ITO model was selected for gas transportation, whereas the Italian electricity transmission company – Terna - was subject to ownership unbundling since 2005, according to the Decree of the President of the Council of Ministers (**DPCM**) dated 11 May 2004. Nevertheless, Law Decree No. 1/2012 (so-called "*Cresci Italia*") imposed the ownership unbundling model also on the Italian incumbent — SNAM Rete Gas S.p.A., whose operational details are set forth by the DPCM dated 25 May 2012.

- Consumer protection
  - In the gas sector, Third Package Decree provided further informative obligations to clients, and redefined so-called vulnerable customers, for which the AEEG (as defined below) establishes tariffs, and introduced guidelines for a default service, applicable to vulnerable clients without supply;
  - in the electricity sector, the scenario was confirmed and improved with more informative obligations to clients. As for the gas sector, a three week term for electricity supplier switching was set in place.
- Retail market: the rules concerning the supplier communication policies have been enhanced in order to prevent ambiguity and undue advantages.
- Regulatory authority for electricity and gas: The Third Package Decree provides that companies which are subjected to sanctions in respect of disputed behaviour may present to the AEEG (as defined below) their proposed commitments aimed at correcting the disputed behaviour.

Italian Energy Regulation

The Ministry of Economic Development (*Ministero per lo Sviluppo Economico* – **MSE**) and the Italian Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica ed il Gas* - **AEEG**) share responsibility for the overall supervision and regulation of the Italian electricity and gas sector.

While the MSE establishes the strategic guidelines for the electricity and gas sector, the AEEG:

- sets electricity, gas and water tariffs;
- formulates observations and recommendations to the Italian Government and Italian 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 vulnerable 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 *Autorità Garante della Concorrenza e del Mercato* (the **Antitrust Authority**) any suspected infringements of Law No. 287/1990 by companies operating in the electricity and gas sector.

In addition to regulation by the AEEG, the Antitrust Authority 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 due to the implementation of the European energy Directives (Directive 2003/54/EC and 2001/77/EC and, afterwards 2009/72/EC).

On 1 April 1999, Legislative Decree No. 79/1999 (the **Bersani Decree**) implementing Directive 96/92/EC, came into force in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by providers are eventually determined by competitive bidding and provided for a gradual liberalisation of the electricity market, providing that a number of customers (including, *inter alia*, those whose annual consumption of electricity exceeded specified amounts) (the **Eligible Customers**) would have been able to enter freely into supply contracts with power generation companies, wholesalers or distributors.

For further information see the sub-paragraph headed "*Recent changes in legislation in the electricity sector*" of the section headed "*Changes in legislation*" of the half-yearly financial report as at 30 June 2013 incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*", above).

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduced competition in power generation and sales to Eligible Customers, while maintaining a regulated monopoly structure for transmission, distribution and sales to subjects other than the Eligible Customers (i.e. the **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 party 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 incorporation of Acquirente Unico S.p.A. (the **Single Buyer**), the company which stipulates and operates supply contracts in order to guarantee to the Non-Eligible Customers the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as equal treatment, including tariffs;

- provided for the creation of a power exchange market in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, other Eligible Customers and the Single Buyer will participate, with prices being determined through a competitive bidding process (the **Power Exchange Market**);

- provided for the incorporation of Gestore dei Mercati Energetici S.p.A. (the **Market Operator** or **GME**), appointed to manage the Power Exchange Market; and

- provided that the transmission and dispatching services 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 former Ministry of Productive Activities (the current MSE).

The Bersani Decree originally provided for separation between management of the national electricity transmission grid (which was to be managed by an independent Electricity Services Operator, the *Gestore della Rete di Trasmissione Nazionale*, the **GNTR**) from ownership of the grid assets.

Afterwards, Law Decree No. 239/2003, passed into Law No. 290/2003, providing for the unification of ownership and management of the national transmission grid into the same subject, was implemented by DPCM of 11 May 2004 and MSE Decree of 20 April 2005. The GNTR has been renamed *Gestore dei Servizi Energetici* S.p.A. (the **GSE**) and is entrusted with the promotion of energy from renewable resources, including CIP-6 electricity, besides being the holding company of the Electricity Market Operator and the Single Buyer.

Moreover, Law No. 239/2004 (the **Marzano Law**) reorganised the electricity market regulatory framework and provided that, as of 1 July 2004, only household clients should have been considered as Non-Eligible Customers.

Afterwards, Law Decree No. 73/2007, passed into Law No. 125/2007, introduced urgent measures to realise EU market liberalisation requirements, including:

- a requirement for companies owning grids suppling at least 100.000 customers to unbundle, as of 1 July 2007, distribution activities from sales;

- the empowerment of the AEEG to adopt measures for the functional unbundling (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 independent and transparent infrastructural administration; and

- the right for household end users, as of 1 July 2007, to withdraw from their pre-existing electricity supply contracts and select a different electricity provider, according to the procedures set forth by the AEEG. The supply of energy to former Non-Eligible Customers not switching to the free market should have been guaranteed by the distributor or by one of its affiliates. The responsibility for supplying such clients remains with the Single Buyer.

The AEEG fixes electricity tariffs on the basis of supply costs paid by the Single Buyer to be applied to small end users not switching to the free market ("*servizio di maggior tutela*": residential customers and small businesses having (i) less than 50 employees and (ii) a turnover lower than €10 million).

The Single Buyer also holds bidding procedures to identify providers of the last resort service ("*servizio di salvaguardia*"), which is rendered to all final customers who are not eligible for the *servizio di maggior tutela* and may temporarily find themselves without an electricity supplier.

In June 2011 the third energy package (as referred above) was implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**). As previously mentioned, the Third Package Decree sets provisions concerning unbundling, provides details concerning the activities granted to the national transmission grid operator, Terna S.p.A. (**Terna**), and strengthens consumer protection rules.

Generation

The Bersani Decree liberalised electricity generation. In order to increase the level of competition in the market, the Bersani 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.

In accordance with Legislative Decree No. 379 of 19 December 2003 the availability of electricity capacity must be regulated by a compensation mechanism aimed at assuring adequacy of the system to cover the demand with the necessary reserve margins. This capacity payment mechanism has to be based on the following principles: it must ensure transparency and it must not cause distortion in the market, while reducing the total costs for consumers.

In 2004, the AEEG established, by means of Resolution No. 48/2004, a provisional system of payments to remunerate producers that make generation capacity available to the electricity system at times of peak demand, known as capacity payments (**Capacity Payments**). Capacity Payments to a given producer include both (i) an amount due for capacity available on critical days identified formerly by the GRTN and now by Terna, and (ii) an amount payable when Power Exchange Market prices fall below specified thresholds, as an extra incentive.

Also, as a consequence of Law No. 75 of 2011 and of the outcome of the Referendum dated 12 and 13 June 2011 opposing the development of the thermonuclear energy, the Capacity Payments system has been recently reshaped by AEEG by means of Resolution No. 98/2011 providing general criteria for the new mechanism, which will apply as from 2017. The Capacity Payment system will basically consist in Terna purchasing from producers (through specific tenders) options on generation capacity expected to be necessary in the following years in order to keep the electric system in balance. On the basis of the criteria provided by the AEEG, the grid operator (Terna) should draw a proposal on the details of such mechanism, to be approved by the MED. At this regard, with resolution No. 375/2013, the AEEG has verified the compliance of the scheme of the discipline of the new Market Capacity proposed by Terna.

Promotion of Renewable Sources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation No. 6/1992 (**CIP-6**), which established incentives for new generation plants fed by renewable and assimilable sources and for the sale of electricity produced from the aforementioned sources. In November 2000, the former Ministry for the Industry (now MSE) issued a decree providing that, as of 1 January 2001, all the energy produced from renewable and assimilable sources should have been withdrawn by Gestore della rete S.p.A. (the former electricity services operator) at a price fixed by the AEEG. Afterwards, the Decree-Law no. 69/2013, as converted into Law No. 98/2013 (*Decreto Fare*), revised the operating rules of the CIP-6 matter, introducing gas sector market references.

The Bersani Decree provided that, starting from 2001, all companies producing or importing more than 100 GWh per year of electricity generated from conventional sources should have introduced into the national transmission grid, during the following year, an amount of electricity produced from newly qualified renewable resources (the **Renewable Obligation**), initially amounting to at least 2 per cent. of such excess over 100 GWh, net of co-generation, self-consumption and exports (the **Green Certificates Quota**). Such Quota could have been produced directly or purchased from other producers who had obtained tradable "Green Certificates" (i.e. titles representing a fixed amount of electricity certified as generated from renewable sources) [6].

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 renewable sources. 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 established 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 2020 renewables objectives. The incentive regime for the production of energy from renewable sources is currently ruled pursuant to two Ministerial Decrees dated 5 and 6 July 2012 (the first fixing the feed-in tariffs

[6] The provisions regulating the Green Certificates mechanism introduced by the Bersani Decree were subsequently amended by Legislative Decree No. 387 of 29 December 2003 (implementing EU Directive 2001/77/EC), Law No. 244 of 24 December 2007 (the so-called 2008 Budget Law), Ministerial Decree dated 18 December 2008 (D.M 18 December 2008) and Law No. 99 of 23 July 2009 (Law No. 99/2009).

for energy produced by photovoltaic plants and the second ruling incentives for energy produced by renewable sources other than the solar one). In June 2013, the GSE announced the exhaustion of the incentives under the DM dated 5 July 2012.

Amendments to Regulations Governing Green Certificates

Besides (i) providing for an annual increase (0.75 per cent.) for the years 2007-2012 in the obligation to generate/import electricity from renewable resources as a percentage of the electricity generated/imported in the preceding year and produced by conventional sources, (ii) establishing the incompatibility of Green Certificates system with other incentive 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 on 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 sources by certain small power plants.

The Green Certificates rules provided under the Budget Law for(as afterwards amended by Decree No. 28/2011):

- differentiate recognised Green Certificates by source using co-efficients that are adjusted every three years;

- fixe the price of Green Certificates issued by Gestore dei Servizi Energetici S.p.A. – i.e. the current electricity services operator, the **Electricity Services Operator** – at 78 per cent. of the price originally calculated pursuant to Article 2(148) of the Budget Law for 2008 (i.e. the difference between Euro180/MWh (value updated every three years) and the average annual price of electricity as established by the AEEG per cent.); and

- provide that that at the request of the generator, the Electricity Services Operator can withdraw any Green Certificate (expiring that year) in excess in respect of those needed to fulfill the relevant obligation.

As previously mentioned, afterwards, Decree No. 28/2011 revised the matter, decreasing the percentages of obligations until 2015, set as expiry date of Green Certificates system. The above referred MSE Decree issued on 6 July 2012 pursuant to Decree No. 28/2011 defines new rules to access the incentive system applicable as of January 2013, as well as the related transitional system.

The new incentive mechanism provided for by the Renewable Decree is based on the following principles:

- incentives shall be paid for a period equal to the average conventional life-cycle period of the specific typology of Renewable Plant, starting from the initial date of operation thereof;
- once granted, incentives shall remain constant for the entire incentive period and may also take into account the economic value of the energy produced;
- incentives shall be granted pursuant to private law agreements to be entered into between GSE and the titleholder of the relevant Renewable Plant, based on a standard form to be produced by the AEEG.

The re-shaped incentive scheme outlined by Renewable Decree will be based on the following mechanisms:

(b) Plants up to 5 MW (or such higher threshold set forth with reference to different renewable sources) will benefit from a feed-in tariff. The amounts of the applicable feed-in tariff (which will be fixed by a ministerial decree implementing the Renewable Decree) shall vary depending on the type of renewable source employed and the power capacity bracket to which the relevant plant belongs. The

tariff applying on the date of entry into operation of the plant shall be maintained throughout the entire incentive period.

(c) Plants over 5 MW (or such higher threshold set forth with reference to different renewable sources) will also benefit from a feed-in tariff, the amount of which will be determined on the basis of auctions by reduction (*aste al ribasso*) held by GSE. The procedure for the first auction has started on 6 October 2012 (application and bids may be filed with the GSE until 6 December 2012).

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.

For further information, see the sub-paragraph headed "*Green Certificates*" of the section headed "*Changes in legislation*" of the half-yearly financial report as at 30 June 2013 incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*", above).

CO_2 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 other 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.

The EU Regulation No. 166/2006, concerning the establishment of a European Emission Register, has been implemented under Italian Law pursuant to Presidential Decree No. 157/2011.

From January 1, 2013 the third CO_2 emission sharing period started (2013-2020). EU rules guarantee to each member country a free allocation share (for existing plant free shares will be assigned by decision of the National Committee; for new plants free shares will be assigned on the basis of Law Decree No. 30/2013).

Wholesale market

The Power Exchange Market is a marketplace for the spot trading of electricity between producers and consumers under the management of the 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. Otherwise 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 quotaholder of which is the Electricity Services Operator and 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. Based on its own periodic estimates of future electricity demand and the MSE guidelines, the Single Buyer purchases electricity in the market on the most favourable terms and it sells this energy to retail companies supplying Universal Service clients. The Single Buyer is the largest wholesaler in the market, purchasing approximately 30% of the total national demand.

The Single Buyer purchases electricity on the Power Exchange Market and 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 equalize 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 AEEG adjusts reference prices quarterly to reflect the ones actually paid by the Single Buyer.

Other participants to the Power Exchange Market are producers, integrated operators, wholesalers, and some large electricity users. The AEEG and the Antitrust Authority 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.

Recently the market was enhanced through the commencement of operations of new forward markets: (i) the forward physical market, "MTE", which is managed by Market Operator; and (ii) the derivatives financial market, "IDEX", which is managed by *Borsa Italiana*. However most of transactions are concluded on OTC platforms managed by brokers, whose annual volume traded is higher than the whole Italian demand.

On 29 November 2008, the Italian parliament approved Legislative Decree No. 185/2008 (the **Anti-Crisis Decree**), which was subsequently passed into Law No. 2/2009. The provisions of the Anti-Crisis Decree concerning energy have been implemented by a ministerial decree issued by the MSE on 29 April 2009. The new rules set forth a series of measures to be implemented in the period 2009-2012, involving: (i) the adoption of a new mechanism to set prices on the day-ahead market; and (ii) the creation of an intra-day market and the development of the aforementioned forward markets. In addition to that, the MSE decree sets forth guidelines for the reform of the ancillary services market (MSD) which became operative as of 1 January 2010. These guidelines call for: (i) the segmentation of the market according to the services provided; (ii) the utilisation of new calculation procedures to select offers; and (iii) separate accounting for costs according to the specific services purchased The AEEG also defined the guidelines concerning a new capacity management mechanism to be implemented by 2017.

Imports

The volume of electricity that can be imported into Italy is limited by the capacity of transmission lines that connect the Italian network with those of other countries and by concerns relating to the security of the system (currently, a maximum import capacity of approximately 8,040 MW is available to import energy safely). The planned construction of new interconnections in the near future will permit the import of more energy at a competitive price.

The rules for the assignment of interconnection capacity have been the same since 2007. Following agreement between Terna and neighbouring transmission system operators (**TSOs**) interconnection capacity rights for each border are jointly allocated by explicit auction (on a yearly, monthly and daily basis). Revenues arising from the auctions (which are shared evenly between the TSOs involved) and belonging to Terna are transferred onto clients on a pro rata basis by reducing the dispatching charges. On 20 December 2012, the MSE issued a decree providing for criteria and conditions applying to electricity imports during 2012 (the **Import Decree**). As for 2012, for the current year the Import Decree provides for the allocation of import capacity through a bidding system and introduces a "market coupling" mechanism for the daily import capacity allocation.

Transmission

The term "transmission" refers to the transport of electricity on high and very high voltage interconnected networks from the plants where it is generated or, in the case of imported energy, from the points of acquisition, to distribution systems. The national electricity transmission grid – as defined pursuant to Ministerial Decree of 25 June 1999 and subsequent amendments – which includes very-high voltage

(380/220 kV) and high-voltage (G= 150 kV) lines, is 98 per cent. held by Terna and 2 per cent. held by other companies (such as Rete Ferroviaria Italiana S.p.A.).

Distribution

The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the former Ministry of Industry (now MSE). 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 so requesting, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions. Moreover, the AEEG set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

The New Tariff Structure

Pursuant to Law No. 481/95 the AEEG is in charge of establishing the tariff regime, in order to guarantee the following objectives: certainty, transparency, consumer protection, and harmonisation between economic and general social objectives. The tariff regulation is based on "regulatory periods" characterised by fixed duration and stable tariff rules. Up to now the sector underwent three regulatory periods while on 1 January 2012 the fourth came into force.

While in the past the "cost-plus" method was adopted by the Regulator, since the third regulatory period it has been replaced by a mixed tariff methodology that makes use of the "price-cap" principle implemented with profit sharing arrangements to establish and update the operative costs recognised in tariff, and the "Revalued Historic Cost" method to estimate the value of the assets that have to be amortised and remunerated. The price-cap mechanism sets a limit on annual increases of the tariff share related to operative costs corresponding to the difference between the inflation rate and the predefined cost reduction rate (the X-Factor), and the efficiency gains are shared between companies and consumers; the Revalued Historic Cost is based on the effective capital expenditure sustained by a company, considering the inflation effects.

As mentioned, the fourth regulatory period is currently underway with respect to the regulation of electricity transmission, distribution and metering tariffs. According to Resolution ARG/elt 199/2011, the AEEG set them for the current regulatory period (2012-2015). The weighted average cost of capital (**WACC**) for distribution services has been increased from 7 per cent. for the third regulatory period to 7,6 per cent., now applicable also for metering services. Moreover, an extra +1 per cent. remuneration has been granted to investments in distribution and metering assets made since 1 January 2012 in order to neutralise the regulatory time–lag effect. Within November 30, 2013 the AEEG will update the WACC value for the next two years (2014-2015).

The X-factor, applied only to the tariff share covering the operative costs, has been set at 2,8 per cent. for distribution services and at 7,1 per cent. for metering, so as to allow the higher efficiency gains achieved by the companies to be passed on to the end-user within eight and six years, respectively.

The rules envisage incentives, using differentiated WACCs (between +1,5 per cent. and +2 per cent.) and for a minimum of eight years, 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.

Italian Natural Gas Regulation

The Decree No. 164/2000 (so-called "Letta Decree"), implementing Directive 98/30/EC (the "First Gas Directive**"**), has gradually liberalised the Italian natural gas market and increased competition. The Letta Decree provided *inter alia* that, from 1 January 2003, all final customers be enable to freely select their natural gas supplier.

The liberalisation process has been further strengthened by Directive 2003/55/EC and, then, by Directive 2009/73/EC, which has been implemented in Italy by Legislative Decree No. 93/11 (the **Third Package Decree**).

Import

The Third Package Decree provides that import from the EU and non EU countries on the basis of long-term agreements via pipeline or LNG terminal is subject to an authorisation by the MSE approving the relevant gas supply agreement, whilst import pursuant to short-term agreements (up to one year) may be carried out upon a simple communication to be submitted to the MSE prior to execution of the relevant gas supply agreement. To the extent this authorization is not denied on the basis of objective and non-discriminatory criteria, it is deemed to be granted on expiry of the three-month period following the application date.

Transportation

Article 2(1) sub-paragraph (ii) of the Letta Decree, as amended by the 93/2011 Decree, defines the transportation activity as "*natural gas transportation aimed at supplying customers through a network which consists mainly of high-pressure pipelines, other than a network of upstream pipelines and other than gas pipelines which, even at high pressure, are mainly used for the local distribution of natural gas, with the exception of the supply*".

In compliance with the provisions set forth under Article 24 of the Letta Decree, the network code (*codice di rete*) concerning the transportation activity was drafted and approved by AEEG by means of resolution No. 75/03.

According to the Third Package Decree, natural gas transportation and dispatch are activities of public interest. Companies involved in these activities must guarantee access on a non-discriminatory basis, to any applicant user, on the conditions and tariffs established by the AEEG, and in accordance with the owner's network code[7], provided that the connection works that are to grant such access are technically and economically feasible. Companies that carry out transportation and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function, including modulation. These companies are also responsible for the strategic storage of gas under MSE directives, and must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies.

From 1 January 2002, only operators exercising no activities in the gas production process, other than storage activities, may transport and dispatch gas. In all cases, all such activities must be accounted for separately.

The Third Package Decree strengthens the rules regarding unbundling of the different activities of the gas sector. It provides that operators owning transportation networks must be certified to ensure their independence from companies dealing with production, import or supply of natural gas (the Independent Transmission Operator model, which allows the vertically integrated operator to keep the ownership of the transmission network, has been initially selected for ENI, the Italian incumbent).

[7] The network code is a general contractual instrument regulating the mutual rights and obligations of pipeline facilities operators and users. Each network owner/operator is required to adopt its own network code on the basis of a standard form approved by the AEEG.

Subsequently, Decree No. 1 of 24 January 2012 (so-called "Cresci Italia") imposed to the Italian incumbent the adoption of the ownership unbundling model according to operational conditions set out by the Presidential Decree of 25 May 2012, thus causing the sale of the transportation network previously owned by ENI.

The Third Package Decree encourages also investments in network developments (international pipelines, LNG terminals and storages), by exempting operators from third party access duties, in relation to part of the total capacity and for a period established on a case-by-case basis and in any event no longer than 25 years.

Storage

Players intending to use depleted fields or other geological formations as gas storage facilities must obtain a licence granted by the MSE pursuant to objective and not discriminatory procedures and criteria. These licences are granted for a maximum of 20 years. Natural gas storage services include: (i) strategic storage (*stoccaggio strategico*), aimed at coping with supply shortages or stoppages, or gas system crises; (ii) mining storage (*stoccaggio minerario*), aimed at ensuring that exploitation of natural gas fields in the Italian territory is carried out in an optimal manner, to the extent such storage activity is necessary for technical or economic reasons; and (iii) modulation storage (*stoccaggio di modulazione*), aimed at supporting modulation of daily, seasonal and peak natural gas consumption.

Holders of storage licenses are obliged to supply strategic, mining and modulation storage services to third-party users which so require, on the terms, conditions and tariffs established by the AEEG and in accordance with their own storage code (*codice di stoccaggio*). The uniform regulation of quality standards and storage services tariffs applying from 2011 through 2014 is contained in AEEG Resolution No. 119/10.

According to the Third Package Decree, the storage and the transportation activities in a vertically integrated company must be managed on the basis of transparent and non-discriminatory criteria. The Third Package Decree also provides for incentives for investments in new natural gas infrastructure (interconnector pipelines, LNG terminals and storage sites) by exempting the investing entity from the obligation to provide third-party access for a period up to 25 years (exemptions may be granted on a case-by-case basis by the MSE in consultation with the AEEG).

Legislative Decree n. 130/2010 encourages the construction of new storage fields. It provides that operators holding a market share above 55 per cent. wholesale should start gas release procedures or, otherwise, should develop further storage capacity equal to 4 billion Smc. Players such as industrial and thermoelectric clients are allowed to access this capacity by investing in the relevant infrastructure. In addition, Article 5 of the Legislative Decree n. 130/2010 introduces provisions on the "*competitiveness of the natural gas market*" and Article 6 establishes the procedures by which final customers or consortia could participate in developing new storage capacity.

Pursuant to Law Decree No. 1/2012 (so-called "Liberalization Decree"), as modified by Law Decree No. 83/2012 (so-called "Development Decree"), in February 2013 the MSE issued two decrees that deeply modified the storage allocation criteria, by introducing auction procedures and supporting large customers in the assignment of the storage fields. For further information, see the sub-paragraph headed "*Criteria for the allocation of gas storage*" of the section headed "*Changes in legislation*" of the half-yearly financial report as at 30 June 2013, incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*", above).

Distribution

Distribution is defined as the transport of natural gas through a network of local pipelines for delivery to end-customers. Gas distribution companies dispatch the natural gas through their own networks and connect any customer who so requests to the extent technically and economically feasible, according to rules

determined by the AEEG. Licensees of distribution networks are obliged to grant access to any third party that so requests on the basis of tariffs set by the AEEG and in compliance with the network code adopted by the AEEG. Moreover, the Authority set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities of the natural gas sector.

Over the years, the gas distribution regulation has been extensively reformed. The Letta Decree (as subsequently amended and integrated) established that natural gas distribution activities can be exercised only by operators to which a gas distribution concession for a period not exceeding 12 years has been granted pursuant to a competitive bid.

The Letta Decree also provided that distribution concessions which were in place as at 21 June 2000, awarded without a public tender, shall be terminated at the end of the so-called "transitory period", which duration depends on the specific awarding modalities and the characteristics of the single concessions of the case at issue. Pursuant to the Letta Decree and Legislative Decree No.159/2007, the MSE and the Minister for Relations with the Regions and Local Governments, must establish (i) criteria for the tender and evaluation of bids for gas distribution concessions, and (ii) the minimum geographical reference areas for the tenders.

A first decree, setting out the identification of the 177 territorial areas Italy has been divided into was published on 19 January 2011 and was followed by a second decree, defining the composition of the municipality included in the so-called *Ambiti Territoriali Minimi* (ATEMs), published on 28 October 2011. On 12 November 2011, the MSE adopted Ministerial Decree No. 226/2011, regulating the new tender procedure for the awarding of the distribution concessions within each ATEM and setting out standards for the calculation of the reimbursement value to be granted to the outgoing service provider, as well as for drawing up the call for bids and their evaluation. In particular, the aforementioned decree provides, *inter alia*, that the new licensee acquires availability of the infrastructure only after payment of the reimbursement value to the outgoing provider and the takeover of the outstanding financial obligations. On parallel, in order to enhance the protection of workers involved in natural gas distribution activities, the MSE, in conjunction with the Ministry of Work and Social Politics, issued on 21 April 2011 a decree containing the so-called "welfare clause".

Finally, Law Decree No. 69/2013, converted into Law No. 98/2013 (the so-called "*Decreto del Fare"*), set the timetable for identifying the contracting authority and for the issuance of the tender notice, deferring the terms for the first tender procedures which now are expected to take place in 2014.

Distribution Tariff

The gas distribution tariff is set by the AEEG and is updated on a four-year basis. Pursuant to Resolution No. ARG/gas 159/08, the AEEG defined the methodology for determining the distribution tariffs for the 2009-2012 period (the "Third Regulatory Period"). By means of resolution 436/2012/R/gas the AEEG extended until 31 December 2013 the provisions relating to the Third Regulatory Period, although certain key-parameters have been quantitatively modified.

Currently, for the purposes of calculating applicable distribution tariffs, the allowed operating cost is determined with reference to the size of the company and the density of its client base (A2A is subject to an X-factor of 2.4 per cent. for distribution activities and of 2.8 per cent. for metering activities). The remuneration for the invested capital in 2013 is 7.7 per cent. for distribution activities and 8.0 per cent. for the metering activities. Distribution rates for the 2009-2010 period were defined by resolution 315/2012/R/gas, whereas rates for the 2011-2012 period were set by resolution 450/2012/R/gas. Lastly, Resolution 328/2013/R/gas defined distribution rates for 2013.

The rules governing the distribution tariffs for the fourth regulatory period (2014-2019) are currently under consultation process between the AEEG and market players.

Sale

As of 1 January 2003, companies that intend to sell gas to final customers must obtain a licence from the Ministry of Productive Activities. Authorisation can only be denied 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, are entitled to sell gas.

Law 99/2009 introduces "Last-Resort Service" provisions applying to household clients. In this regard, the "Single Buyer" (a company indirectly owned by the State) is in charge by operation of law of identifying last-resort suppliers for household clients and small enterprises.

Moreover, Law No. 99/2009 foresees the constitution of a market exchange for the supply and sale of natural gas. Accordingly, the Decree issued by MSE 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 an actual gas exchange has been put into operation, with the GME playing a 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, managed by GME and with Snam Rete Gas playing a role of central counterparty, has been put into operation. The balancing market introduces an *ex-post* gas exchange session aimed at the balancing of the whole gas system and, accordingly, the respective positions of the market participants.

Lastly, in September 2013 negotiations started in the MT-Gas platform, the futures market managed by GME.

Tariff Structure

The AEEG Resolution No. ARG/gas 64/09, as subsequently amended and modified, defined the methodology for calculating the economic conditions of supply applicable to domestic customers with gas consumption lower than 200,000 m3/year, to users carrying out public service activities (e.g. schools, hospitals, prisons, etc.) and to non-domestic customers with a yearly natural gas consumption not higher than 50,000 m3/year (so-called "Servizio di Tutela", which do not opt to resort to the natural gas free market ("Mercato Libero")). By means of Resolutions No. ARG/gas 89/10 and ARG/gas 77/11 a reduction factor was introduced in the tariff updating algorithm, in order to transpose to customers the price reduction occurring in the spot markets.

Furthermore, Art. 13 of Legislative Decree No. 1/2012, set forth the progressive introduction of references to the price of gas registered in the European Markets for the updating process of the economic conditions of supply.

In this sense, starting from October 1, 2013 the method for calculating the economic conditions of supply to small customers has been deeply reformed by Resolution No. 196/2013/R/gas, which introduced specific spot market references and revised the whole tariff structure, leading to an overall reduction of the prices borne by end-users.

Lastly, Law Decree No. 69/2013, converted into Law No. 98/2013 (so-called "Decreto del Fare"), set out new rules to limit the scope of application of such economic conditions, excluding small and medium enterprises from the application of the regulated prices.

For further information see the sub-section headed "*Provisions for risks, charges and liabilities for landfills*" of the notes to the half-yearly financial report as at 30 June 2013 incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*", above).

Heat and Services

District heating activities are not subject to systematic regulations in Italy. District heating supply agreements with end users are subject to the general provisions of the Italian Civil Code and contracts with the municipalities are in different forms and address a diversity of activities: some local authorities bind operators to realise production plants and distribution networks as well as to sell the service to other customers that allow such activities to be carried out without imposing any constraints or engage in any control activity; the regional standards are also different. Each company determines prices for district heating at its own discretion, without being subject to any specific regulatory requirements regarding the determination of the tariffs or the methods of their calculation. Most companies, however, fix tariffs with reference to the cost of natural gas for similar usage.

This solution has maintained equivalent costs for the two categories of energy providers (gas and district heating) and as a result the customers receive equal treatment.

Regulations applicable to the supply of public services

The regulation of Local Public Services (**LPS**), as defined by Article 23-bis of Law No. 133/08, and by Law 106/11, was affected by the results of the Referendum held on June 2011, since it abolished the previous legislation that obliged the municipality to rely on the market for the management of LPS. In order to fill the gap, Decree No. 138 of 2011 converted into Law No. 148/2011 was issued including, among other things, the new regulation applicable to the LPS, afterwards amended by Law No. 183/2011, by Law No. 27/2012 and by decree No. 83/2012. Law Decree No. 95 of 6 July 2012 introduced reforms in connection with the competence of public entities, but without introducing amendments to the organisation of local services.

Regulation of LPS does not concern gas and electricity distribution, as well as integrated hydric service.

On 20 July 2012, a judgment of the Constitutional Court No. 199 of 17 July was filed, which was reached after the hearing of 19 June 2012 that declared the constitutional illegitimacy of Article 4 of Decree No. 138 of 2011 converted into law by Law No. 148 of 2011. Judgment 199/2012 decides multiple appeals, united by identity of the matter, rooted primarily from different regions (Puglia, Lazio, Marche, Emilia Romagna, Umbria, Sardinia). The judgment 199/2012 rejects the defense of the State ruling the illegality and invalidity of Article 4 because: (i) following the repeal referendum of Article 23-bis, regions could define the rules relating to regional economic public services, drawing on the EU principles alone, without the limitations imposed by national standards, (ii) Article 4 violates the prohibition on the restoration of the law repealed by referendum of Article 75 of the Constitution given the substantial identity of the rules.

After the repeal of Article 4, Article 3-*bis* of Law No. 148/11 and subsequent amendments remains in force, according to which LPS involving networks should be operated on an optimal and homogenous territorial basis e incentives towards local authority have been put in place in order to promote competitive procedures to assign the service management. In particular, the repeal eliminates the system of early termination of existing concessions, an instrument introduced by the national legislator to encourage the establishment of the new organisation of services.

The repeal of Article 4 obligates local authorities to select the local service operator in compliance with the national or regional detail rules (where present) and the EU principles; the local authority can arrange this service through (i) third parties and (ii) by direct or in-house provision, in the residual cases in which the market is unable to meet the needs of the community and making use of entities fully controlled by the local authority and exclusively engaged in the relevant activity. Outsourcing can be achieved through agreements,

granted by or through a joint venture and all these processes must respect the EU principles on the protection of competition: equal treatment, transparency, proportionality, mutual recognition, the protection of individual rights. The repeal eliminates the system of early termination of existing concessions, an instrument introduced by the national legislator to encourage the establishment of the new organisation of services.

On 20 October 2012, Law Decree n. 179 of 18 October 2012 (the **Urgent Measures for the Country Decree**) came into force. Article 34 paragraphs 20 to 27 of such decree regulates LPS.

The Urgent Measures for the Country Decree also considers transitional provisions applicable to LPS agreements in existence on 20 October 2012. According to such decree, the public entities are required to publish a report relating to existing agreements addressed to the local public services organisation by 31 December 2013. Existing mandates which do not provide for a termination date will be terminated by 31 December 2013. Mandates given to listed companies or companies controlled by a listed company will continue up to the termination date established in the relevant agreement and, where a termination date is not provided for, up to 31 December 2020. Please note that article 34 does not apply, in relation to the Group's business, to gas distribution and energy distribution services.

Water services regulation

The previous scenario was defined by Law No. 36/94 (the **Galli Law**) that reformed deeply the entire industry. Its main distinctive features can be summarised as follows:

- the Law defined clearly each service included in the Integrated Water Service (SII): water for non-industrial purposes intake, transportation and distribution carried out together with drainage and sewage disposal;

- Italian regions had to identify the Integrated Water Districts (*Ambiti Territoriali Ottimali* - **ATO**), in order to manage the SII efficiently. For each ATO, a water district authority (*Autorità di ambito territoriale ottimale* - **AATO**) was in charge of SII strategic planning, operator identification, supervision and tariff calculation;

- establishment of an integrated tariff system for both fresh water and waste water services applied to all customers within each ATO. Pursuant to article 13 of Law No. 36/94, the Ministry of the Environment issued the Decree of 1 August 1996 defining the "normalised method" to be applied by each AATO in order to calculate the tariff in each district.

The water regulation was then partly modified by Legislative Decree No. 152 of 3 April 2006 (the **Environment Act**) that implemented Law No. 36/94, better specified AATO duties and characteristics and, in addition, defined criteria for service assignment to in house companies (i.e. a company completely owned by local authorities).It must also be noted that, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning water discharge disposal have been introduced within Legislative Decree No. 231/2001 (**Decree 231**) on entities administrative responsibility.

Afterwards Legislative Decree No. 4 of 16 January 2008 further modified the scenario, providing that water services in the same district could be assigned to different operators, while Law No. 42 of 26 March 2010 suppressed the existing AATOs and put the Regions in charge of AATO powers redistribution. Up to now, 31 December 2012 is set as deadline for undertaking these actions[8].

[8] Lombardia Region, by means of regional law No. 26/2003 as modified by regional law No. 21/2010, transferred the functions of the AATO to the Province; instead in relation to the Municipality of Milano, the functions of AATO have been transferred to the Municipality itself.

Finally, Decree No. 70 of 13 May 2011 established the Italian Agency for water services regulation and surveillance, in charge of quality standards and tariffs, from 1 January 2012.

In 2011 the regulatory framework of water services underwent significant change:

- Referendum held on 12-13 June 2011:
  - According to Question No. 1, the Article 23-bis of the Law No. 133/11, concerning local public services normative, was repealed. It defined the criteria for local services assignment and management of public local services, including water services (while the recent Law No. 148/2011 does not include water services);
  - According to Question No. 2, Article 154 paragraph 1 of the Legislative Decree No. 152 of 3 April 2006 (the Environment Act that embodied the Galli Law) was modified in order to exclude asset remuneration from tariff calculation;
- Decree No. 201 of 6 December (as turned into Law No. 214/11): Article 21, paragraphs 13 and 14 abolished the Italian Agency for water services regulation and surveillance, and transferred its powers (to be itemised through a Prime Minister Decree) to the Regulatory Authority for Electricity and Gas and the Ministry for the Environment.

Due to the mentioned events, and pursuant to the Law No. 42 of 26 March 2010, the service assignment duties are up to the institutions that will have to be identified by Regions, while industry design and evaluation criteria will have to be compliant with the Italian Legislation which is still applicable and to the European Law. In the future the Legislator may intervene to clarify and consistently reorganise the subject. Article 21 of Law Decree No. 201/2011 (converted in Law No. 214/2011) transferred the functions concerning the regulation and surveillance of water services to the Regulatory Authority for Electricity and Gas (AEEG)[9] and to the Ministry of Environment and Protection of Land and Sea (MATTM).

Presidential Decree of the Minister Council (D.P.C.M) dated 20 July 2012 provides in details which are the functions that AEEG shall carry out.

The powers of AEEG and MATTM regards, in particular, tariff matter.

As for tariff issues, according to Decree No. 201 of 6 December 2011 and to the mentioned referendum results the Regulatory Authority for Electricity and Gas (AEEG) with resolution 585/2012/R/idr approved the temporary tariff method (MTT) for the 2012-2013 period. The MMT is based on ex-post regulatory criteria (accounting data of the n-2 year) and on the full cost recovery principle.

The absence of a national framework for the organisation of the service and its concession methods require the immediate application of Italian regulations and Community legislation.

By application of Legislative Decree No. 152/06 and relevant regional legislation, integrated water services must have supra municipality dimensions, must be integrated - by attributing all the component assets in the hands of a single manager - must impose on the single manager a single concession, must provide control powers to the ambit authority and to AEEG, must ensure compliance of the regime of instrumental assets, the tariff regime defined by AEEG and the exclusivity of the service in favour of the single manager.
In the end, Law Decree No. 179/2012, as converted into Law No. 221/2012, defined the transitory period for water service.
In particular, Article 34 of such Law Decree states that direct entrustments as of 1 October 2003 to listed companies (or to companies owned by listed companies) should expire as stipulated in the contract,

[9] Previously assigned to the National Agency for the regulation and surveillance on water.

otherwise by 20 December 2020. Moreover, the aforementioned article 34 provides general criteria in order to ensure compliance of the integrated water service regulation with the community principles in this matter.

Waste regulation

The national waste framework legislation is included in the environmental code under Decree No. 152/2006 (the **Environmental Code**), which defines criteria and rules concerning waste management. The Environmental Code also shares responsibilities among the operators active in the waste management system.

The Environmental Code, issued by the Italian Government in April 2006 in order to re-organise the national environmental legislation, has been modified and implemented through various regulations after its original publication. The Environmental Code provides for civil, penal and administrative sanctions in case of violations of its provisions.

Environmental Code

The Environmental Code, contains the majority of the national legislation on environmental issues and it implements the main EU directives on waste treatment regulating waste management and remediation of contaminated sites, laying down measures to protect the environment and human health, preventing or reducing the negative impacts of production and waste management, reducing overall impacts of resource use and improving efficiency. Urban waste collecting and treatment is an activity conducted in the publics' interest and qualified as a local public service (**LPS**).Waste management is carried out in accordance with the principles of precaution, prevention, sustainability, proportionality, accountability and cooperation of all parties involved in the production, distribution, use and consumption of goods which originate from the waste and under the principle of responsibility of the polluter (the so called "polluter pays" principle). To this end, the management of waste is carried out according to criteria of effectiveness, efficiency, economy, transparency, technical and economic feasibility, and in compliance with existing rules on participation and access to environmental information. The waste management takes place in accordance with the following hierarchy of principles: a) prevention, b) preparation for reuse; c) recycling; d) other recovery – *i.e.* the recovery of energy - e) disposal.

The municipal waste management is organised on the basis of ATOs, bounded by the regional plan under the criteria of: a) overcoming the fragmentation of management through an integrated waste management service; b) achievement of adequate managerial dimensions, defined on the basis of physical, demographic, technical criteria and based on the political-administrative divisions; c) adequate assessment of the road system and rail communications in order to optimise the transport within the ATO; d) enhancement of common needs and affinities in the production and waste management; e) survey of waste management facilities already built and in operation; f) consideration of the previous boundaries for the new ATOs so as to ensure that the latter deviate from the previous ATOs only on the basis of justified reasons of effectiveness, efficiency and economy. ATOs are established by the regions; some regions have decided not to establish them.

According to the Environmental Code, with reference to municipal waste (MW), the regional authorities have to define waste management plans in order to organise and integrate waste collection, treatment and disposal within the "optimal management areas" (ATOs). Each optimal management area consists of certain number of municipalities. The targets on separate collection of municipal solid waste must be reached within the ATO. The area of each ATO is defined by Regions.

According to national criteria, regional plans on waste management must include several provisions, such as:

- measures to ensure a reduction in the quantity, volume and hazardousness of waste;

- identification of ATOs;
- provisions to avoid soil and water pollution, arising from municipal and industrial waste landfilling;
- measures to prevent waste production and encourage reuse, recycling and recovery;
- measures to promote waste collection and management within the regional territory.

Law Decree No. 2 of 25 January 2010 (converted into Law No. 42 of 26 March 2010) provided for the abolition of the ATO's starting from 1 January 2011; such term has subsequently been extended until 31 December 2012. By this deadline, regional governments were required to re-assign, by means of specific regional laws, to new regional entities, the functions previously performed by the ATOs, in accordance to the principles of subsidiarity (*sussidiarietà*), differentiation and adequacy.

The Environmental Code has been subject to significant revisions that have had significant repercussions on the activities of the companies operating in the waste sector, since the entry into force of first level and EU implementation provisions. Further amendments are expected as a result of the further implementation of recent European regulations.

Landfill disposal

Legislative Decree No. 36 of 13 January 2003 implements the Landfill Directive (Council Directive No. 1999/31/EC), which aims to prevent, or to reduce as far as possible, the negative environmental effects of landfill.

Decree No. 36/2003 requires companies that operate a landfill to carry out a series of activities (including collection, storage and disposal of the percolate, aspiration, combustion and energy retrieval of the bio-gas) for a period of 30 years after closure of the landfill. The price applied by the operator for landfill disposal must cover the costs for landfill management for at least 30 years after closure.

Waste tariff mechanism

Legislative Decree No. 22 of 5 February, 1997 (the **Ronchi Decree**) replaced the urban solid waste disposal tax (the so-called, *Tassa per lo smaltimento dei rifiuti solidi urbani)* with a tariff regime (**TIA1**), aimed at fully covering costs, 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 158/1999).**

Art. 238 of the Environmental Code has provided for a new tariff mechanism commensurated with the ordinary average quantity and quality of waste produced by square metre, in relation to the use and types of activities carried out (so called **TIA2**) on the basis of general parameters fixed by an *ad hoc* regulation of the Ministry for the Protection of the Environment and Territory, which, as of the date of this Base Prospectus, has not been enacted yet. Art. 238, paragraph 11 of the Environmental Code provided that until the enactment of the new regulatory decree by the Ministry for the Protection of the Environment and Territory, the previous regulatory provisions (*i.e.* Decree 158/1999) will apply also with respect to TIA2 (please note that such provision has been substantially confirmed by article 5, paragraph 2 *quater* of Law Decree No. 208/2008).

Recently, Art. 14 of Law Decree No. 201/2011 (converted into Law No. 214 of 22 December 2011) provided for a new waste tariff (**TARES**) which has been expressly qualified as a tax for the management of the waste which will cover all the costs of waste management performed by the Municipalities. TARES will be applied starting from 1 January 2013. Such tariff will be commensurated with the ordinary average quantity and quality of waste produced by square metre, in relation to the use and types of activities carried out on the

basis of general parameters which should have been fixed by a new regulation of the Ministry for the Protection of the Environment and Territory, to be issued within 31 October 2012. In the meanwhile, the regulatory provisions of Decree 158/1999 should have been applied, as per paragraph 12 of Article 14. Such paragraph has been abrogated, so that it seems to be applicable only the D.P.R. No. 158/1999.

With respect to the nature of waste tariff, is has to be underlined how, in July 2009, with Decision No. 238/2009, the Constitutional Court declared that the waste tariff pursuant to Article 49 of TIA1,was to be qualified as a tax and therefore not subject to VAT.

Following this decision, the Italian government, by means of Law Decree No. 78 of 31 May 2010, under Article 14, paragraph 33, provided that TIA2 was to be interpreted as a tariff of "*non taxation nature*" and therefore subject to VAT.

With the recent provisions set forth under Art. 14 of Law Decree No. 201/2011, the Italian legislator has clarified that the new tariff that will be applied starting from 1 January 2013 is a tax and therefore not subject to VAT.

Law Decree No. 102/2013 introduced by 2014 the so-called Service Tax (tax on municipal services), replacing the previous Tares (tax on waste).

Hydroelectric

For further information on laws applicable to the hydroelectric sector see "*Description of the Issuer – Hydroelectric Plants*" above.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

Taxation in the Republic of Italy

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of the Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This overview also assumes that the Issuer is organised and that the Issuer's business will be conducted as outlined in this Base Prospectus. Changes in the Issuer's tax residence, organisational structure or the manner in which the Issuer conducts its business may invalidate this overview.

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. A tax reform relating to income from securities has been announced. The Issuer will not update this overview to reflect changes in laws and if any such changes occur the information in this overview could become invalid.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) from securities (i) falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the Italian Presidential Decree No. 917 of 22 December 1986, as amended (**Decree No. 917**), (ii) issued, *inter alia*, by companies whose shares are listed on an Italian regulated market, such as the Notes.

For this purpose, pursuant to Article 44 of Decree No. 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

Italian Resident Noteholders

Pursuant to Decree No. 239, where an Italian resident Noteholder, who is the beneficial owner of the Notes, is: (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership or professional association, (iii) a non-commercial private or public institution or non-commercial trust, or (iv) an investor exempt from Italian corporate income tax (in each case, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an authorised intermediary and has opted for the so-called "*risparmio gestito*" regime, see under paragraph "Capital Gains", below), interest payments in respect of Notes are subject to a final substitute tax (***imposta sostitutiva***), levied at the rate of 20 per cent. (either when such Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an Italian resident individual or non-commercial private or public institution engaged in a business activity and are effectively connected to its business activity, then Interest (i) will be subject to the *imposta sostitutiva* on account of income tax due and (ii) will be included in the relevant Noteholder's annual corporate taxable income to be reported in the income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree No. 239, *imposta sostitutiva* is generally applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stock exchange agents and other entities identified by relevant decrees of the Ministry of Economics and Finance (the **Intermediaries** and each an **Intermediary**).

The Intermediaries must: (i) be (a) resident in Italy, or (b) permanent establishments in Italy of Intermediaries resident outside Italy; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *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.

In order to apply the *imposta sostitutiva*, an Intermediary opens an account (the **single account**) to which it credits the *imposta sostitutiva* in proportion to the Interest accrued. In the event that more than one Intermediary participates in an investment transaction, the *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder or by the Issuer.

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) and the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then payments of Interest on Notes will not be subject to the *imposta sostitutiva*, but Interest accrued on the Notes must be included in the relevant Noteholder's annual corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for the purposes of regional tax on productive activities – **IRAP**) to be reported in the income tax return and are therefore subject to general Italian corporate taxation according to the ordinary tax rules.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called discretionary investment portfolio regime (the *risparmio gestito* regime, as described under "Capital Gains", below).Where the investor is an Italian open-ended or closed-ended investment fund or a SICAV, and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to imposta sostitutiva in the hands of the relevant Noteholders; a withholding tax of 20 per cent. will be levied on proceeds distributed by the investment funds or the SICAV or received by certain categories of noteholders upon redemption or disposal of the units.

Italian pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 (the **Pension Funds**) are subject to an 11 per cent. substitute tax on their annual net accrued result. To the extent that the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then Interest on Notes held by Pension Funds will not be subject to *imposta sostitutiva* but will be included in the calculation of said annual net accrued result.

Payments of interest, premium and other income 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, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of such real estate investment funds, provided that the Notes, together with the relevant coupons, are timely deposited with an authorised Intermediary.

Non-Italian resident Noteholders

Interest payments relating to Notes may be exempt from taxation with respect to certain beneficial owners of the Notes resident outside of Italy, without permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to Decree No. 239, as amended, subject to timely compliance with all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as outlined in brief below, an exemption applies to any non-Italian resident beneficial owner of the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Italian tax authorities (so called **White List State**); or (ii) is an international body or entity set up in accordance with international agreements entered into force in Italy; or (iii) is a Central Bank or an entity also authorised to manage the official reserves of a State; or (iv) is an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

Please note that a country is a White List State if listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the tax year in which the decree pursuant to article 168-*bis* of Decree No. 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-*bis*, paragraph 1 of Decree No. 917 (for the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list).

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 20 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

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

Italian Corporate investors (including banks and insurance companies)

Capital gains realised by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) on sale, transfer or redemption of the Notes will form part of their aggregate income subject to corporation tax (**IRES**) applied at a rate equal to 27.5 per cent. In certain cases (depending on the status of the Noteholder), capital gains may also be 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 per cent. rate. 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.

Italian resident individuals

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, 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 rate of 20 per cent. Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, 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 Italian resident individual Noteholders holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity 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 the *imposta sostitutiva* on such gains together with any balance 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.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva*

separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also 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 Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which 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, Noteholders are not required to declare the capital gains in the annual tax return.

(c) In the "*risparmio gestito*" regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, 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 20 per cent., to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Noteholders are not required to declare the capital gains realised in the annual tax return.

Italian Funds and SICAVs

Any capital gains realised by a Noteholder which is an Italian open ended or a closed-ended investment fund or a SICAV will not be subject to *imposta sostitutiva* on capital gains in the hands of the relevant Noteholder; a withholding tax of 20 per cent. will be levied on proceeds distributed by the investment funds or the SICAV or received by certain categories of unitholders upon redemption or disposal of the units.

Italian Pension Funds

In case of Notes held by Italian Pension Funds, capital gains on the Notes will contribute to determine the annual net accrued result of same Pension Funds, which is subject to an 11 per cent. substitute tax.

Italian Real Estate Investment Funds

Italian real estate Investment funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14-*bis* of Italian Law No. 86 of 25 January 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

Non-Italian resident Noteholders

The 20 per cent. *imposta sostitutiva* may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration - *autocertificazione* - of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions of any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Legislative Decree No. 461, Decree No. 350 of 25 September 2001 and Decree No. 239, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected that qualify for the exemption from *imposta sostitutiva* under the applicable provisions of Decree No. 239 — are exempt from taxation in Italy on any capital gains realised upon sale for consideration or redemption of the Notes, subject to timely filing of the required documentation;

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to taxation in Italy, subject to timely filing of the required documentation, on any capital gains realised upon sale for consideration or redemption of the Notes.

Inheritance and gift taxes

Subject to certain conditions, transfer of Notes, *mortis causa* or by reason of donation, are subject to inheritance and gift taxes, provided that the issuer is resident in Italy.

Inheritance and gift taxes apply according to the following rates and exclusions:

(a) transfers to spouse and to direct relatives: 4 per cent. of the value of the notes exceeding €1 million for each beneficiary;

(b) transfers to brothers and sisters: 6 per cent. of the value of the notes exceeding €100,000 for each beneficiary;

(c) transfers to relatives (*parenti*) within the fourth degree, to direct relatives in law (*affini in linea retta*), indirect relatives in law (*affini in linea collaterale*) within the third degree other than the relatives indicated above: 6 per cent. of the value of the notes;

(d) other transfers: 8 per cent. of the value of the notes.

Transfer tax

Contracts relating to the transfer of Notes are subject to a €168 (or €200 as from 1 January 2014, pursuant to Article 26 of Law Decree No. 104 of 12 September 2013, awaiting to be converted into law) registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011, converted by Law No. 214 of 22 December 2011 (**Decree No. 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.15 per cent.; 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. The stamp duty can be no lower than €34.20 and, as of 2013, it cannot exceed €4,500 for taxpayers other than individuals.

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

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.15 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value 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).

Italian financial transaction tax (IFTT)

As of 1 January 2014 Noteholders entering into Notes not providing for the Issuer's obligation to repay the principal invested upon redemption (which Notes fall within the category of atypical securities), mainly having as underlying or the value of which is mainly linked to Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer, are subject to IFTT at a rate ranging between €0.01875 and €200, depending on the notional value of the relevant securities calculated pursuant to Article 9 of the Ministerial Decree of 21 February 2013, as amended. IFTT applies, under certain conditions, upon subscription, negotiation or modification of these Notes or the underlying assets or reference value.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **EU Savings Directive)** on the taxation of savings income, Member States are 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 entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree No. 84**). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent fiscal authority of Luxembourg, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of

Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 10 per cent.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, 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. 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.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 25 November 2013, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

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 under the Securities Act.

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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is 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 will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

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 and agreed, and each further Dealer appointed under the Programme will be required to represent 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 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:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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

(iii) 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and

- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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

(iii) 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.

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**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (**Regulation No. 11971**); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any 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 under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authority.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme has been duly authorised by a resolution of the Management Board of the Issuer dated 7 November 2013. The issue of Notes under the Programme will be authorised prior to each relevant issue of Notes by the competent bodies of the Issuer in accordance with applicable laws and the relevant provisions of the Issuer's By-Laws. Each issuance resolution (*delibera di emissione*) shall be passed in notarial form and registered in the competent Companies' Register (*Registro delle Imprese*).

Listing and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market 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 purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

(i) the by-laws (with an English translation thereof) of the Issuer;

(ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2012 and 31 December 2011 (with an English translation thereof) together with the audit reports prepared in connection therewith and the interim consolidated financial statements of the Issuer in respect of the six months ended 30 June 2013 (with an English translation thereof) together with the review report prepared in connection therewith;

(iii) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis and unaudited consolidated interim accounts on a quarterly basis;

(iv) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of this Base Prospectus;

(vi) any future Base Prospectus, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to an Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as disclosed in the section "*Description of the Issuer - Recent Developments*" above, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 September 2013 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2012.

Litigation

Save as disclosed in the section "*Description of the Issuer - Legal Proceedings*", neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers S.p.A. of Via Monte Rosa 91, 20149 Milan, Italy, member of *Albo Speciale della CONSOB delle Società di Revisione* (Italian Institute of Auditors). PricewaterhouseCoopers S.p.A. have audited the Issuer's accounts, without qualification, in accordance with IAS/IFRS for each of the two financial years ended on 31 December 2012 and 31 December 2011.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note, except if required by any applicable laws and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including 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 Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) 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 (including parent companies) 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 securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) 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.

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