Snam S.p.A.

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

€10,000,000,000

Euro Medium Term Note Programme

Under this €10,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Snam S.p.A. (the "**Issuer**" or "**Snam**") 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 €10,000,000,000 (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 2014/65/EU).

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)).

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 Notes to be listed, 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, a new Base Prospectus or a drawdown prospectus, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), and included in the list of credit rating 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, will be disclosed in the Final Terms. 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. Please also refer to "*Risks related to the market generally*" in the "*Risk Factors*" section of this Base Prospectus.

Amounts payable under the Notes may be calculated by reference to either EURIBOR, LIBOR, CMS Rate, Constant Maturity BTP Rate or such other Inflation Index as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrator of LIBOR and CMS Rate is, and the administrators of EURIBOR and Constant Maturity BTP Rate are not, included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of Regulation (EU) no. 2016/1011 (the "**BMR**").

As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that EMMI (European Money Market Institute), as administrator of EURIBOR, and the administrators of Constant Maturity BTP Rate, are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

BNP PARIBAS

Dealers

Banca IMI
Barclays
BofA Merrill Lynch
Crédit Agricole CIB
ING
Mediobanca
Mizuho Securities
NatWest Markets
Société Générale Corporate & Investment Banking

Banco Bilbao Vizcaya Argentaria, S.A.
BNP PARIBAS
Citigroup
Goldman Sachs International
HSBC
J.P. Morgan
MUFG
Morgan Stanley
SMBC Nikko
UniCredit Bank

The date of this Base Prospectus is 31 October 2018.

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. "Prospectus Directive" means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuer (the "Responsible Person") 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.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

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 by reference 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 by reference 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.

This Base Prospectus contains industry and customer-related data as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Issuer is aware and is able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

No person is or has been authorised by the Issuer or any Dealer 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 (i) is intended to provide the basis of any credit or other evaluation or (ii) 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 – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail

investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

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*").

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 the United Kingdom, the Republic of Italy (*Italy*), Belgium and France) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will 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 in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes 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.

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 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 advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

All references in this document 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 and all references to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars.

Any websites included in this Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

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

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. Most 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.

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

Regulatory and legislative risk

Regulatory and legislative risk for Snam is closely linked to the regulation of activities in the gas sector. The relevant directives and laws enacted by the European Union and the Italian government and the resolutions of the Energy Network and Environmental Regulation Authority ("**ARERA**") and, more generally, changes to the regulatory framework may have a significant impact on the Issuer's operating activities, financial position and economic outcomes. It is not possible to foresee the effect that future changes in legislative and fiscal policies could have on Snam's business and on the industry sector in which it operates. Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context with regard to criteria for determining reference tariffs may have a significant impact on the Issuer's operations, results, balance sheet and cash flow and, consequently, affect the Issuer's ability to meet its payments under the Notes.

Macroeconomic and geo-political risk

Because of the specific nature of the business in which Snam operates, there are also risks associated with political, social and economic instability in natural gas supplier countries, mainly related to the gas transportation sector. A large part of the natural gas transported in the Italian national transport network is imported from or passes through countries included in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in TANAP-TAP perspective, Turkey together with States bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, and in the future, Azerbaijan and Georgia), whose national situations are particularly sensitive politically, socially and economically, crossed by currents of instability or which could constitute future crisis scenarios.

In particular, the importation and transit of natural gas from these countries are subject to a wide range of risks, including: terrorism and common crime, alteration of the political-institutional balance; armed conflicts, socio-economic and ethno-sectarian tensions; unrest and disturbances, high inflation; volatile exchange rates; deficient legislation on insolvency and protection of creditors; limits on investment and on the import and export of goods; increases in taxes and excise duties; forced imposition of contract renegotiations; nationalisation or renationalisation of assets; changes in trade policies and monetary restrictions.

If a Shipper using the transportation service via Snam's networks cannot procure natural gas from the aforementioned countries because of said adverse conditions, or in any way suffers from said adverse conditions, or is consequently unable to fulfil its contractual obligations towards Snam, this could have negative effects on the Snam Group's operations, results, balance sheet and cash flow, as well as in reference to its participation in TAP, and, consequently, affect the Issuer's ability to meet its payments under the Notes.

Commodity risk linked to changes in the price of gas

With reference to the risk connected with changes in the price of natural gas, pursuant to the regulatory framework currently in force, changes in the price of natural gas to cover fuel gas and network leakages do not represent a significant risk factor for Snam, since all gas for its core activities is provided by Shippers in kind. However, in relation to transportation activities, the ARERA has defined, starting with the third regulatory period (2010-2013), procedures for payment in kind, by users of the service to the leading transportation company, of quantities of gas to cover unaccounted-for gas (UFG), due as a percentage of the quantities respectively injected into and withdrawn from the transportation network based on defined measure formulas. Specifically, the Authority, by means of Resolution 514/2013/R/gas, defined the permitted level of the UFG given the average value registered over the last two years, and decided to keep this amount fixed for the entire regulatory period in order to incentivise the main transmission system operator to deliver further efficiency improvements. This criterion also was subsequently confirmed for the years 2018 and 2019 of the transition period. For the relevant regulatory period, amounts of UFG higher than the permitted level would not be compensated. In view of the aforementioned mechanism for the payment in kind of UFG, there is still uncertainty about the quantities of UFG withdrawn over and above the quantities paid in kind by the users of the service. Potential changes in the regulatory framework could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. Those items are being discussed as part of the consultation process with ARERA.

Market risk

With reference to the risk connected with demand for gas, based on the tariff system currently applied by the Authority to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes transported. ARERA, however, introduced a guarantee mechanism with respect to the share of revenues related to the volumes transported. This mechanism provides for the reconciliation of major or minor revenues, exceeding ± 4% of the reference revenues related to the volumes transported. Under this mechanism, approximately 99.5% of total revenue from transportation activities is guaranteed. Based on the tariff system currently applied by the Authority to natural gas storage activities, Snam's revenue, via Stogit, correlates to infrastructure usage. However, the Authority has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. For 2016 and 2017, the minimum guaranteed level of revenue recorded was approximately 97%. With Resolution 589/2017/R/gas the ARERA confirmed this level for the remaining part of the regulatory period. Such changes to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, protections from market risk are offered by French regulations and by long-term contracts of TAP, IUK (which expired in September 2018) and Austria (differentiated expiries for TAG and GAS Connect Austria starting from 2023); in Austria and the United Kingdom (with respect to Interconnector), after the expiration of the long-term contracts, regulations do not guarantee coverage of volume risk.

Risk of climate change

Compliance with greenhouse gas regulations in the future may require Snam to adjust its facilities, and to control or limit its emissions or undertake other actions that could increase the costs of complying with the regulations in force, and therefore have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

The risks connected with the emissions market fall within the scope of the European Union directives on the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants. With the start of the third period of the EU emissions trading system and of regulation (2013 - 2020), the updating of the sector regulations has had as its main objective the authorisations for emitting greenhouse gases and a constant reduction of the quotas on emissions released free of charge. The allowances will be assigned to each plant on a gradually decreasing basis, and will no longer be constant, and will also depend on the actual functionality of the plants. The ongoing further development of European legislation could lead to identifying new ways of managing the necessary quotas, in particular through possible reward mechanisms, to be agreed with ARERA, for the reduction of emissions from owned plants.

The Italian national committee for emissions trading allocates emission permits to the Issuer. In 2017, carbon dioxide emissions from the Snam Group facilities covered by the European Union emissions trading system

were overall greater than the emission permits allocated. This deficit is offset by the allowances already present in the registers for Snam Group plants, accumulated thanks to the surplus from previous years. Up to 2020, the emission allowances will gradually decrease, as a consequence it is probable that the carbon dioxide emissions from the Issuer's facilities will require the Issuer to obtain carbon credits from a third party to cover any shortfall in its emission quota, thus bearing a potential market/volume risk. Those items are being discussed as part of the consultation process with ARERA.

Climate change scenarios could lead to a change in population behaviour and could have an impact on natural gas demand and transport volumes, just as they could affect the development of alternative uses of gas and the promotion of new business.

Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations) causing worsening of the natural and hydrogeological conditions of the territory with a possible impact both on the quality and continuity of the service provided by Snam, and on the demand for Italian and European gas. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see the previous paragraph "*Market risk*".

Legal and non-compliance risk

Legal and non-compliance risk concerns the failure to comply, in full or in part, with European, national, regional and local rules and regulations with which Snam must comply in relation to the activities it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative sanctions, as well as damage Snam's balance sheet, financial position and/or reputation. As regards specific cases, the infringement of regulations on the protection of workers' health and safety and of the environment, and the infringement of anti-corruption rules, inter alia, may also result in (possibly significant) sanctions on the Issuer based on the administrative responsibility of entities (Legislative Decree231 of 8 June 2001).With regard to the Risk of Fraud and Corruption, Snam believes it is of vital importance to ensure a climate of fairness and transparency in corporate operations and repudiates corruption in all its forms in the widest context of its commitment to abiding by ethical principles. Snam's top management is strongly committed to pursuing an anti-corruption policy, trying to identify possible areas of vulnerability and eliminating them, strengthening its controls and constantly working to increase employees' awareness of how to identify and prevent corruption in various business situations.

Reputational verification and acceptance and signature of the Integrity Ethical Pact are the pillars of the system of controls aimed at preventing the risks associated with illegal behaviour and criminal infiltrations concerning our suppliers and subcontractors, with the aim of ensuring transparent relations and professional morality requirements in the whole chain of enterprises and for the whole duration of the relationship; in this context in 2017, on the occasion of the "Snam 75 & Partners' Day" event, Snam dedicated a special space to the issue of ethics and transparency as excellence and innovation in business activity.

Snam has been working since 2014 in partnership with Transparency International Italia and joined the Business Integrity Forum (BIF) and, in 2016, became the first Italian company to join the "*Global Corporate Supporter Partnership*".

During 2017, Snam started collaboration with the OECD being part, as the first Italian company in the private sector, of the *Business and Industry Advisory Committee* (BIAC).

Snam has also collaborated with the Ministry of Foreign Affairs participating in the "VIII Italy-Latin America and Caribbean Conference" and the "Italian Business Integrity Day" held at the Italian Embassy in Washington.

During these events, the company illustrated the instruments implemented in terms of transparency and the fight against corruption.

Ownership of storage concessions

The risk linked to maintenance of the ownership of the storage concessions is attributable by Snam to the business in which the subsidiary Stogit operates on the basis of concessions issued by the Ministry of Economic Development. Eight of ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed no more than twice

for a duration of ten years each time. With regard to these concessions, Stogit submitted – within the statutory terms -– the extension request to the Ministry of Economic Development and the proceedings are currently pending before the Ministry. Pending said proceedings, Stogit's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures in progress envisaged by the original authorisation, which will be extended automatically on expiry until said completion. One concession (Fiume Treste) will expire in June 2022 and has already been renewed for the first ten-year extension period in 2011, and another concession (Bordolano) will expire in November 2031 and can be extended for a further ten years[1]. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on the Issuer's operations, results, balance sheet and cash flow.

Malfunction and unexpected service interruption

Operating risks consist mainly of the malfunctioning and unforeseen interruption of the service determined by accidental events, including accidents, breakdowns or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events outside of Snam's control. Such events could result in a reduction in Snam Group's revenue and could also cause significant damage to people, with potential compensation obligations being incurred by Snam Group. Although Snam has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in the progress of infrastructure implementation programs

There is also the concrete possibility that Snam could incur delays in the progress or termination of infrastructure implementation programmes as a result of several unknowns linked to operating, economic, regulatory, authorisation and competition factors, regardless of its intentions. Snam is therefore not able to guarantee that the projects to upgrade and extend its network will be started, completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer timeframes than those originally planned, affecting Snam's financial position and results.

Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have a negative impact on Snam's financial results.

Environmental risks

Snam and the sites in which it operates are subject to laws and regulations relating to pollution, environmental protection, and the use and disposal of hazardous substances and waste. These laws and regulations expose Snam to potential costs and liabilities related to the operation and its assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate corrective actions and shared responsibility and are therefore difficult to estimate.

Furthermore, Snam is subject to regulatory and legislative risk related to the possible implementation of increasingly more stringent regulations at European and national level in particular further to the new global climate agreements (COP21 in Paris in 2015 and COP22 in Marrakech in 2017), aimed at encouraging the transition towards a more sustainable economy that favours zero emission energy sources.

Snam cannot predict if and how environmental regulations and laws may over time become more binding and cannot provide assurance that future costs to ensure compliance with environmental legislation will not increase or that these costs can be recovered within the mechanisms tariffs or the applicable regulation.

[1] Stogit's concessions issued before the entry into force of legislative decree no.164/2000 (*i.e.* all the concessions except for Bordolano) can be extended by the Ministry of Economic Development no more than twice for a period of ten years each, pursuant to art.1, paragraph 61 of Law no. 239/2004. Pursuant to art. 34, paragraph 18, of the Decree Law n. 179/2012, converted by Law 221/2012, the duration of the only Stogit license issued after the entry into force of legislative decree no.164/2000 (Bordolano) is thirty years with the possibility of extension for a further ten years.

Substantial increases in costs related to environmental compliance and other aspects related to it and the costs of possible sanctions could negatively impact Snam's business, operating results and financial and reputational position.

Employees and staff in key roles

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. Loss of "key" personnel or inability to attract, train or retain qualified personnel (in particular for technical positions where the availability of appropriately qualified personnel may be limited), or situations in which the ability to implement long-term business strategy is negatively influenced due to significant disputes with employees, could have an adverse effect on Snam's business, financial conditions and operating results.

Risk linked to foreign holdings

The foreign companies owned by Snam may be subject to regulatory and/or legislative risk, under conditions of social and economic political instability and to a market risk such as to adversely affect their activities, economic results and the equity and financial situation. For Snam this may entail only a partial achievement of the economic and financial objectives connected to the foreign investments and expected during the acquisition phase.

Cybersecurity

Snam carries out its activities through a complex technological architecture relying on an integrated model of processes and solutions capable of promoting the efficient management of the entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, requires increasing attention to be focused on aspects of cybersecurity.

For this reason, Snam has developed its own cybersecurity strategy based on a framework defined in accordance with standard principles on the subject and focusing on Italian and European regulatory developments, especially as far as the world of critical infrastructures and essential services is concerned. First and foremost, this strategy involves adapting one's own processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and ISO 22301 (Business Continuity Management Systems) and the formal certification of conformity to the listed standards.

Alongside this and in accordance with technological developments, solutions aimed at protecting the Issuer from cyber threats and malware are assessed and, where deemed appropriate, implemented. More specifically, Snam has defined a model of cybersecurity incident management aimed at preventing and, when necessary, ensuring timely remediation in the event of events that could damage the confidentiality and integrity of the information processed and the IT systems used. At the base of the activity is a Security Incident Response Team which, using technologies that allow collecting and correlating all the security events recorded on the entire perimeter of the company's IT infrastructure, has the task of monitoring all the anomalous situations from which negative impacts may result for the company and to activate, where necessary, escalation plans suitable to guarantee the involvement of the various operating structures. Information-sharing with national and European institutions and peers is used in order to improve the capacity and speed of response following various possible negative events.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of *weak signals* and raising consciousness about risks of a cyber nature that could occur during the course of normal work activities.

A failure to prevent and/or guarantee prompt remediation against such events may have an adverse impact on the Issuer's business, results of operations and financial condition and, as a result, its ability to meet its obligations under the Notes.

Risks relating to dependence on authorisations in relation to the transport business

The gas transportation business of Snam Rete Gas and Infrastrutture Trasporto Gas is not carried out under a concession regime; however, the construction and operation of new transportation infrastructures is dependent on authorisations mainly granted pursuant to Articles 52-*bis* to 52-*nonies* of the Presidential Decree (DPR) No. 327/2001 on energy infrastructures (See the section headed "*Regulatory and Legislative Framework – Transportation and dispatching*").

Pursuant to general principles of administrative law, such authorisations may be revoked by the competent authorities if there are justified grounds for doing so, for overriding reasons of public interest or if there is a change in the situation of fact or a further assessment by the competent authorities of the original public interest. Any such revocation must be adequately described and explained and justified in the relevant decision of the competent authority and in any such case, the affected party is entitled to receive an indemnification amount for any liability incurred. The revocation of any such authorisations may cause operational problems and delays in ongoing projects and operations. Such authorisations may not be given within the terms provided by law due to delays caused by the relevant authorities involved in the process. Furthermore, it should be noted that any such authorisations could also be subject to legal proceedings by private citizens or the competent local authority. As of the date of this Base Prospectus, no authorisation granted to Snam Rete Gas and Infrastrutture Trasporto Gas has been revoked.

Limited number of Shippers

The Issuer provides its services to a limited number of users of the gas system, referred to as shippers ("**Shippers**"). Shippers purchase natural gas from producers, importers or other Shippers and sell it to other Shippers or to final users, including electrical production facilities and industrial plants, which in turn are typically directly connected to the transportation system, or to residential and commercial consumers, which are connected to local distribution networks. Shippers use transportation, dispatching, LNG regasification and storage services. The existing regulatory framework gives Shippers who satisfy the necessary requirements the right to access the abovementioned natural gas infrastructure. This right corresponds to an obligation of the operators of the infrastructure to agree to the necessary contracts pursuant to which Shippers are granted access, on the terms and conditions approved by the ARERA.

The Snam Group's major Shipper customers with regard to the transportation, regasification and storage business are the ENEL group and ENI.

A failure or delay of any of these major Shipper customers, whose contracts generated approximately 75% of the core business revenue of Snam Rete Gas in 2017, to meet their payment obligations could have a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

Risk of increasingly high levels of corporate income taxes

The energy industry is subject to the payment of royalties and income tax which tend to be higher than those payable in many other commercial activities.

Any adverse changes in the income tax rate or other taxes or charges applicable to the Snam Group would have a negative impact on the Issuer's future results of operations and cash flows. 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.

Snam Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities.

Risks relating to competition

As at the date of this Base Prospectus, the Snam Group holds a leading position in the regulated natural gas business in Italy.

In its gas transportation business, Snam Rete Gas does not currently have significant competitors and while there are no regulatory barriers to entry into the gas transportation market, in practice, the construction of a competing network of pipelines would entail substantial investment and lead times.

As regards LNG regasification, GNL Italia is currently the third largest operator (3.5 billion cubic metres capacity per year) in the Italian market of LNG regasification in terms of capacity.

With respect to the storage business, Stogit is one of two storage operators currently active in Italy and in 2017 its operations represented more than 94% of the total capacity in Italy for natural gas storage.

The Issuer's failure or inability to respond effectively to competition could adversely impact the Issuer's growth prospects, future results of operations and cash flows.

Risk relating to competition also applies to new businesses carried out by the Snam Group (as detailed in section "*Description of the Issuer – Business Activities of the Snam Group*")."

Risks relating to future acquisitions/equity investments

Any joint investments realised under joint ventures agreements (see "*Description of the Issuer – "Recent corporate activity*" and "*Business Activities of the Snam Group – International activities*") and any other future investments in foreign or domestic companies may result in increased complexity of the Snam 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 Issuer and the Snam Group's operations. The process of integration may require additional investment and expense. Failure to integrate investment successfully could have a materially adverse effect on the Issuer'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.

Moreover, the value of the investments made or in the process of being made by the Issuer abroad, in companies operating in the gas transportation sector, might be negatively affected by the non-certification by the relevant national regulatory authority of the target company.

Finally, failures by the participated companies in achieving positive financial performances might have an impact on the Issuer's results of operations and therefore on its ability to meet its obligations under the Notes.

Implementing the objectives in its Strategic Plan

On 13 March 2018, the Board of Directors of Snam approved the update of the strategic plan that sets out the strategic lines and objectives of the Snam Group for a period of five years, from 2017 to 2021.

The strategic plan contains, and was prepared on the basis of, assumptions and estimates relating to future trends and events that may affect the sector in which it operates, such as estimates of demand for natural gas in Italy over the medium to long term and changes in the applicable regulatory framework. If the events and circumstances projected or estimated to occur by the Board of Directors when preparing the strategic plan should not occur, including the evolution of the regulatory framework, future business, cash flow and results of operations of the Snam Group could be materially different from those envisaged in the strategic plan.

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

International financial markets

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.

Several governments, international and supranational organisations and monetary authorities have put in place a number of actions to increase liquidity in financial markets, in order to boost global gross domestic product growth and mitigate the possibility of default by certain European countries on their sovereign debt obligations. It remains difficult to predict the effect of the potential easing of these measures on the economy and on the financial system. 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 Snam 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.

Risks associated with the economic context and consequences of the United Kingdom's exit from the European Union (Brexit)

On 23 June 2016, the United Kingdom ("**UK**") held a referendum where the UK voted to leave the EU. This result has and continues to create several uncertainties within the UK, and regarding its relationship with the EU. On 29 March 2017, the UK served notice in accordance with article 50 of the Treaty on European Union of

its intention to withdraw from the EU. The notification of withdrawal started a two-year process during which the terms of the UK's exit will be negotiated, although this period may be extended in certain circumstances.

The result and the resulting negotiations are likely to generate further increased volatility in the markets and economic uncertainty which could adversely affect Snam and the Snam Group. Until the terms and timing of the UK's exit from the EU are confirmed, it is not possible to determine the full impact that the referendum, the UK's departure from the EU and/or any related matters may have on general economic conditions in EU countries, including Italy.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Exchange rate risk

Snam's exposure to exchange rate risk relates to both transaction risk and translation risk. Transaction risk is generated by the conversion of commercial or financial receivables (payables) into currencies other than the functional currency and is caused by the impact of unfavourable exchange rate fluctuations between the time that the transaction is carried out and the time it is settled (collection/payment). Translation risk relates to fluctuations in the exchange rates of currencies other than the consolidation currency (the euro) which can result in changes to consolidated shareholders' equity. Snam's risk management system aims to minimise transaction risk through measures such as the use of derivatives. It cannot be ruled out that significant future changes in exchange rates may generate negative effects on Snam Group's operations, balance sheet and cash flow, irrespective of the policies for hedging the risk resulting from exchange rate fluctuations through the financial instruments on the market put in place by Snam.

As at 30 June 2018, Snam's foreign-currency items essentially refer to a ¥10 billion bond maturing in 2019 and with an issue-date value of approximately €75 million. The bond has been fully converted into Euros by a cross-currency swap, with the same notional amount and maturity as the hedged component. This swap is considered to be a cash flow hedge derivative.

Snam does not take out currency derivatives for speculative purposes.

Credit risk

Credit risk is the Issuer's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the economic results and the financial position of Snam. For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any possible disputes is handled by the business units and the centralised Snam departments.

Snam provides business services to almost 200 operators in the gas sector, with 10 operators representing approximately 70% of the entire market (Eni, Edison and Enel hold the top three spots). The rules for client access to the services offered are established by ARERA and set out in the network codes. For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in selling and providing said services and contain contractual conditions, which significantly reduce the risk of non-compliance by the clients. These codes require guarantees to cover the commitments assumed. In specific cases, if the customer has a credit rating issued by major international organisations, the issue of these guarantees may be mitigated. The regulations also contain specific clauses which guarantee the neutrality of the entity in charge of balancing, an activity carried out from 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, the current balancing discipline requires that based on financial merit criteria, Snam shall make its purchases and sales on the GME balancing platform to ensure availability of the resources required for secure and efficient movement of gas from the entry points to the withdrawal points and therefore constant balancing of the network. The aforementioned discipline also requires additional usage by Snam of the storage resources of the users to cover system imbalances and ensure the relative financial settlement.

Overdue and non-impaired receivables as at 31 December 2017 amounted to €113 million (€154 million at 31 December 2016) and related chiefly to the storage segment (€88 million), mainly in relation to VAT invoiced

to users for the use of strategic gas wrongfully withdrawn in 2010 and 2011, and to various receivables from public administrations. As at 31 December 2017, approximately 62% of trade receivables (65% as at 31 December 2016) were with extremely reliable clients, including Eni, which represents 23% of total trade receivables (21% as at 31 December 2016).

It cannot be ruled out however, that Snam may incur liabilities and/or losses from the failure of its clients to comply with payment obligations, particularly given the current economic and financial situation, which makes the collection of receivables more complex and critical.

Snam's maximum exposure to credit risk as at 30 June 2018 was the book value of the financial assets recorded in the condensed interim consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2018.

Liquidity risk

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 cannot meet its payment commitments. This may affect profit or loss should the Issuer be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Issuer's future as a going concern.

Under the financial plan, Snam's risk management system aims to establish a financial structure that, in line with the business objectives, ensures sufficient liquidity for the Group, minimising the relative opportunity cost and maintaining an appropriate mix in terms of duration and composition of debt.

The Issuer has access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the EIB and bonds). Snam's objective is to maintain a debt structure that is balanced in composition between bonds and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

As at 30 June 2018, Snam had unused committed long-term credit lines worth €3.2 billion.

Ratings risk

Snam is currently rated by Moody's Investors Service Limited ("**Moody's**"), S&P Global Ratings Europe Limited ("**S&P**") and Fitch Italia Società Italiana per il Rating S.p.A. ("**Fitch**"), which are all registered with ESMA.

As at the date of this Base Prospectus, Snam's long-term rating is: (i) Baa2 with a stable outlook, assigned on 23 October 2018 by Moody's; (ii) BBB+ with a negative outlook, affirmed on 29 October 2018 by S&P; and (iii) BBB+ with a stable outlook, confirmed on 12 October 2017 by Fitch.

On 23 October 2018 Moody's has decided to downgrade the Issuer's long-term ratings by one notch, from Baa1 to Baa2, as a consequence of the action on the government of Italy's sovereign rating (from Baa2 with negative outlook to Baa3 with stable outlook) announced on 19 October. The outlook on the rating is stable.

On 29 October 2018, S&P decided to affirm Snam's BBB+ long-term corporate credit rating and to revise the outlook on the rating from stable to negative, as a consequence of the correspondent action on the outlook of the government of Italy's sovereign rating (BBB with outlook revised from stable to negative) announced on 26 October 2018.

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.

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. A decrease in credit ratings either by Moody's and/or S&P and/or Fitch may increase borrowing costs or even jeopardise further issuance. 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.

Snam's long-term rating from Moody's, S&P and Fitch is a notch higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam's current rating.

Risk of acceleration

The risk of acceleration consists of the possibility that the loan contracts which have been concluded contain provisions that provide the lender with the ability to activate contractual protections that could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk.

As at 30 June 2018, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Part of such contracts envisage, *inter alia*, compliance with commitments typical of international market practice, of which some are subject to specific materiality thresholds, such as: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; (iii) limitations on certain extraordinary transactions that Snam and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

The notes issued by Snam under its Euro Medium Term Notes program as at 30 September 2018 provide for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with these covenants, and the occurrence of other events, for example cross-default events, could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB (*European Investment Bank*) loans, the lender has the option to request additional guarantees, if Snam's rating is lower than BBB (S&P / Fitch) or Baa2 (Moody's) for at least two of the three rating agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on the Snam Group's operations, results, balance sheet and cash flow, creating additional costs and/or liquidity problems. There are no covenants among these commitments that involve compliance with ratios of an economic and/or financial nature.

Legal Proceedings

The Issuer is involved in judicial proceedings arising from its ordinary business activities. In addition, criminal investigation proceedings involving the Issuer and certain members of management are being pursued.

On the basis of the current status of the investigation and on the basis of advice from legal counsel, management does not believe it is possible to predict whether any resulting proceedings will have an economic impact on the Issuer and, if so, what its extent would be (see "*Description of the Issuer — Material Litigation*").

If such proceedings were to be resolved unfavourably for the Issuer, there may be a material adverse effect on the Issuer's business, cash flow, financial condition and results of operations.

Although the Issuer has made accounting provisions with respect to pending judicial proceedings, pursuant to the Issuer's applicable policies, the provisions set aside may not be sufficient to cover losses arising from outcomes in the existing judicial proceedings that are not in favour of the Issuer. If future losses arising from the pending judicial proceedings are materially in excess of the provisions made, there may be a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

Risks related to modifications in capital investments

Investment projects may stand still or be delayed due to difficulties in obtaining environmental and/or administrative authorisations, opposition from political groups or other form of organisations, or may be influenced by variations in the price of equipment, materials and labour, changes in the political or regulatory frameworks during construction and by the inability to raise funds at acceptable interest rates. Such delays

could have an adverse effect on the Issuer and the Snam 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.

Inflation/deflation risk

Variations in the price of goods, equipment, materials and labour may impact on the Issuer's financial results. Any such variation as a result of inflation or deflation, to the extent that it is not factored into the tariff system of the ARERA, may materially adversely affect the Issuer's results of operations and ability to meet its obligations under the Notes.

Interest Rate risk

Fluctuations in interest rates affect the market value of the Issuer's financial assets and liabilities and its net financial expense. Snam aims to optimise interest rate risk while pursuing financial structure objectives. As a result of the centralised finance model, Snam's structures encompass the needs of the Snam Group and manage the positions thereof, in line with the objectives set out in its strategic plan, ensuring that the risk profile remains within the defined limits.

The Snam Group uses external financial resources with interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), in the form of (i) bilateral and syndicated facilities with banks and other financial institutions, in the form of loans and bank credit lines and (ii) floating rate notes. The remaining financial indebtedness is represented by fixed-rate Notes placed with institutional investors operating in Europe.

At 30 June 2018, 73% of financial debt was fixed-rate and the remaining 27% was floating rate.

Interest rate risk is managed in order to limit the risk associated with interest rate volatility in accordance with the financial structure objectives established in the Issuer's strategic plans. To this end the Issuer's hedging policy envisages the use of derivative financial instruments, namely interest rate swaps to control the balance between fixed-rate and floating-rate indebtedness.

At 30 June 2018, Snam has 3 Interest Rate Swap (IRS) derivatives referring to 3 floating-rate bonds of a total amount of €1.000 million maturing in 2020, 2022 and 2024. IRS derivatives are used to convert floating-rate bonds to fixed-rate bonds.

Furthermore, as at 30 June 2018 Snam had medium/long term Forward Start IRS derivatives with a total notional amount of €750 million against highly likely expected financial liabilities that will be assumed until 2020 to cover financial requirements.

Though the Snam Group has an active interest rate risk management policy, the rise in interest rates relating to floating rate debt unhedged against interest rate risk could have negative effects on Snam Group's operations, balance sheet and cash flow and, consequently, affect the Issuer's ability to meet its payment obligations under the Notes.

Structural subordination risks for the holders of the Notes

The Issuer is organised as a holding company that conducts essentially all of its operations through its subsidiaries and depends primarily on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations under the Notes issued by it. The 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. 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 can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it may effectively be subordinated to the prior payment of all the debts and other liabilities, including the right of trade creditors and preferred shareholders, if any, of the Issuer's direct and indirect subsidiaries. The Issuer's subsidiaries have other liabilities, including contingent liabilities, which could be substantial. See also "*Risk Factors – The Notes do not restrict the amount of debt which the Issuer may incur*" below.

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 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 Notes:

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 is likely to limit the market value of Notes. 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 the reinvestment risk in light of other investments available at that time.

If the terms of any Notes include a feature to convert the interest basis 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 bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for the Noteholders. Where the Notes convert from a fixed rate to a floating rate, 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. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

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 Notes

There are particular risks associated with an investment in certain types of Notes, such as Inflation Linked Notes, CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes.

The Issuer may issue Notes with principal or interest determined by reference to an index, in the case of Inflation Linked Notes (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes), or with interest determined by reference to the CMS Rate, in the case of CMS Linked Interest Notes or the Constant Maturity BTP Rate, in the case of Constant Maturity BTP Linked Interest Notes (each, a "**Relevant Factor**") (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes). Potential investors should be aware that:

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

(b) they may receive no interest;

(c) in the case of Inflation Linked Notes, payment of principal or interest may occur at a different time than expected;

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

(e) 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

(f) 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 a 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.

Risks relating to Inflation Linked Notes

The Issuer may issue Inflation Linked Notes (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) where the amount of principal (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes) and/or interest payable are dependent upon the level of an inflation/consumer price index or indices.

Potential investors in any such Notes should be aware that depending on the terms of the Inflation Linked Notes (i) they may receive no interest or a limited amount of interest and (ii) payment of principal, and/or interest may occur at a different time than expected. In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Inflation Linked Notes may be subject to certain disruption provisions or extraordinary event provisions (such as the delay and disruption provisions described in Condition 4.3.2 (*Inflation Index delay and disruption provisions*) and any Additional Disruption Events as may be specified in the applicable Final Terms). Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Calculation Agent (as defined in the Conditions of the Notes) determines that any such event has occurred this may delay valuations under, and/or payments in respect of, the Notes and consequently adversely affect the value of the Notes. Any such adjustments may be by reference to a Related Bond, as defined in the applicable Final Terms if so specified therein. In addition certain extraordinary or disruption events may lead to early redemption of the Notes which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Inflation Linked Notes Conditions in conjunction with the applicable Final Terms.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation/consumer price index or the indices on principal or interest payable will be magnified.

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the Notes (if applicable) or, in the case of Notes with a redemption amount linked to inflation, in a reduction of the amount payable on redemption or settlement (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes).

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Notes, even if the average level is consistent with their expectations.

An inflation or consumer price index to which interest payments and/or the redemption amount of Inflation Linked Notes are linked is only one measure of inflation for the relevant jurisdiction or area, and such Index may not correlate perfectly with the rate of inflation experienced by Noteholders in such jurisdiction or area.

The market price of Inflation Linked Notes may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the inflation or consumer price index or indices. The level of the inflation or consumer price index or indices may be affected by economic, financial and political events in one or more jurisdictions or areas.

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.

In respect of any Notes issued as 'Green Bonds', there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically to projects and activities that promote climate-friendly and other environmental purposes ("**Eligible Projects**"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer, any Dealer or any other person that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as

regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified to Eligible Projects in, or substantially in, the manner described in the Final Terms relating to any specific Tranche of Notes, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for the specified Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

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

No Dealer makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by prospective investors. The Dealers have not undertaken to monitor, nor are responsible for the monitoring of, the use of proceeds.

Risks related to Notes generally

Set out below is a description of material 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.

As provided under Article 2415, first paragraph, number 2, of the Italian Civil Code, the Noteholders may, by an Extraordinary Resolution passed by a specific majority, modify the Conditions of the Notes (these modifications may relate to, without limitation, the maturity of the Notes or the dates on which interest is payable on them; the principal amount of, or interest on, the Notes; or the currency of payment of the Notes). These and other changes to the Conditions of the Notes may adversely impact Noteholders' rights and may adversely impact the market value of the Notes.

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

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and 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 in excess of the minimum Specified Denomination 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 would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, 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 at or in excess of the minimum Specified Denomination 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.

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

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with other unsecured senior indebtedness of the Issuer and, accordingly, any increase in the amount of unsecured senior indebtedness of the Issuer in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3, do not contain any restriction on the giving of security by the Issuer to secure present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*Risk Factors – The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes*" above.

Conflicts of interest – Calculation Agent

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the terms and conditions of the Notes that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

Set out below is a description of material 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.

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. 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

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

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR, LIBOR, CMS Rate, Constant Maturity BTP Rate, CPI - ITL and HICP) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised

entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

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

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

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 and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus, a drawdown prospectus or a supplement to the Base Prospectus, if appropriate, in the case of listed Notes only, 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 (the "**Prospectus Regulation**") 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.....	Snam S.p.A.
Issuer Legal Entity Identifier (LEI)	8156002278562044AF79
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*" and include, amongst others, risks relating to the effect of changes in tariff levels and risks of changes in regulation and legislation. 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
Arranger.....	BNP Paribas
Dealers.....	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Goldman Sachs International HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc Mediobanca - Banca di Credito Finanziario S.p.A. Merrill Lynch International Mizuho International plc

	Morgan Stanley & Co. International plc MUFG Securities EMEA plc NatWest Markets Plc SMBC Nikko Capital Markets Limited Société Générale UniCredit Bank AG 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 ("**FSMA**") 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	BNP Paribas Securities Services, Luxembourg Branch
Programme Size	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may 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 as specified in the applicable Final Terms.
Maturities.....	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price.....	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
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, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, each as specified in the applicable Final Terms.

Floating Rate Notes ..... Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of a reference rate set out in the applicable Final Terms, which may be EURIBOR, LIBOR, CMS Rate or Constant Maturity BTP Rate.

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.

Inflation 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 one or more inflation indices, as may be agreed between the Issuer and relevant Dealer.

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 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).

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 ..... Series of Notes to be issued under the Programme will be rated or unrated. Where a series of Notes is rated, such rating will be disclosed in the Final Terms and will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Such rating will not necessarily be the same as the rating assigned to the Issuer or to Notes already issued.

Current ratings of the Issuer's long-term debt are set out in the table below:

	Rating	Outlook
S&P	BBB+	negative
Moody's	Baa2	stable
Fitch	BBB+	stable

Each of S&P, Moody's and Fitch is established in the European Union and registered under the CRA Regulation and as such is included in the list of credit rating 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.

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.

Approval of base prospectus, 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 14 and Schedule 5 of the Agency Agreement are subject to compliance with the laws of the Republic of Italy.

Selling Restrictions..... There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Italy, Belgium and France), 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*".

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) The condensed interim consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2018, which were subject to a limited review by the independent auditors, including the information set out at the following pages in particular:

Elements of risk and uncertainty.....	Pages 45 to 50
Statement of Financial Position	Page 56
Income Statement	Page 57
Statement of Comprehensive Income	Page 57
Statement of Changes in Shareholders' Equity.....	Pages 58 to 59
Statement of Cash Flow	Page 60
Notes to the Condensed Interim Consolidated Financial Statements	Pages 61 to 99
Independent Auditors' Report.....	Pages 101 to 102

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation;

(b) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017, including the information set out at the following pages in particular:

Financial Review – Adjusted Income Statement	Pages 98 to 99
Financial review – Net financial debt	Page 114
Elements of risk and uncertainty	Pages 151 to 155
Statement of Financial Position	Page 184
Income Statement	Page 185
Statement of Comprehensive Income	Page 186
Statement of Changes in Shareholders' Equity.....	Pages 187 to 190
Statement of Cash Flows.....	Pages 191 to 192
Notes to the Consolidated Financial Statements, including:	Pages 193 to 293
- Disputes and other measures, Criminal cases, Italian Regulatory Authority for Energy, Networks and the Environment – ARERA, Tax cases, Recovering receivables from certain users of the transportation and balancing system, Unpaid receivables relating to the period from 1 December 2011 to 23 October 2012, Unpaid receivables after 23 October 2012, Recovering receivables from users of the storage system .	Pages 264 to 270
Independent Auditors' Report.....	Pages 295 to 302

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation;

(c) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016, including the information set out at the following pages in particular:

Financial Review – Adjusted Income Statement	Pages 94 to 97
Financial review – Net financial debt	Page 108
Statement of Financial Position	Page 169
Income Statement	Page 170
Statement of Comprehensive Income	Page 171
Statement of Changes in Shareholders' Equity.....	Pages 172 to 173
Statement of Cash Flow	Pages 174 to 175
Notes to the Consolidated Financial Statements, including:	Pages 176 to 273
- Disputes and other measures, Criminal cases, Tax cases, Recovering receivables from certain users of the transportation and balancing system system.....	Pages 243 to 251
Independent Auditors' Report.....	Pages 275 to 277

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation; and

(d) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 9 October 2017, pages 43 to 75 (inclusive), prepared by the Issuer in connection with the Programme.

Any non-incorporated parts of a document referred to herein, including the previous Base Prospectus dated 9 October 2017 (exclusive of pages 43 to 75 as referred to in paragraph (d) above) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus. 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 are available on the Luxembourg Stock Exchange's website at 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:

(a) 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, S.A. ("**Clearstream, Luxembourg**"); and

(b) 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 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 or not 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 time 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 (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated 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, 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 Permanent Global Notes and definitive Notes which have an original maturity of more than one year and on all 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 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 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 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 from 8.00 p.m. (London time) on such day 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 31 October 2018 and executed by the Issuer.

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, in which event, a supplement to the Base Prospectus, a new Base Prospectus or a drawdown prospectus, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

APPLICABLE FINAL TERMS

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

[Date]

Snam S.p.A.

Legal entity identifier (LEI): 8156002278562044AF79

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

under the €10,000,000,000

Euro Medium Term Note Programme

PART 1

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 31 October 2018 [and the supplements] 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 [and the supplements] to the Base Prospectus] [is/are] available for viewing [at [*website*]] [and] during normal business hours at the registered office of the Issuer [and copies may be obtained from the registered office of the Issuer]. 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 9 October 2017 which are incorporated by reference in the Base Prospectus dated 31 October 2018. 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 31 October 2018 [and the supplements] 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 dated 31 October 2018 [and the supplements] to the Base Prospectus dated [date] [and [date]]]. Copies of such Base Prospectus [and the supplements] to the Base Prospectus] are available for viewing [at [*website*]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. 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" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). 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: (as referred to under the introduction to the Terms & Conditions of the Notes)	[●]
	(c)	Date in which Notes will be consolidated and form a single Series	[The Notes will be consolidated and form a single Series with *[provide issue amount/ISIN/maturity date/issue date of earlier Tranche*s] 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:		[●] % of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[●]
		(as referred to under Condition 1 (*Form, Denomination and Title*))	(*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:	[●]
		(as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*)	(*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]
		(as referred to under Condition 4 (*Interest*))	(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:		*[Fixed rate or Zero Coupon Notes - specify date/ Floating rate or Inflation Linked Notes* - Interest Payment Date falling in or nearest to *[specify month and year]]*
8.	Interest Basis:		[[●]% Fixed Rate]

		[[●] month LIBOR/EURIBOR] +/- [●]% Floating Rate] [Floating Rate: CMS Linked Interest] [Floating Rate: Constant Maturity BTP Linked Interest] [Zero Coupon] [Inflation Linked] (further particulars specified below)
9.	Redemption Basis: (as referred to under Condition 6 (*Redemption and Purchase*))	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100%]/[●]% of their nominal amount[2]
10.	Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [13/14] applies and for the period from (and including) [*date*], up to (and including) the Maturity Date, paragraph [13/14] applies] [Not Applicable]
11.	Put/Call Options: (as referred to under Conditions 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) and 6.4 (*Redemption at the option of the Noteholders (Investor Put)*))	[Investor Put] [Issuer Call] [(further particulars specified below)] / [Not Applicable]
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 (as referred to under Condition 4.1 (*Interest on Fixed Rate Notes*))	[Applicable/Not Applicable]

[2] Notes will always be redeemed at least 100 per cent. of the nominal value.

		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate(s) of Interest:	[●] % per annum payable in arrear on each Interest Payment Date (*If payable other than annually, consider amending Condition* 4 (*Interest)*)
(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 (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes)*)	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (b) below, not subject to any adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
(c)	Additional Business Centre(s):	[●]/[Not Applicable]

(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:	[[●] month [LIBOR/EURIBOR]/[CMS Reference Rate]/[Constant Maturity BTP Rate]. Relevant Financial Centre: [London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)/New York/specify other Relevant Financial Centre] (*only relevant for CMS Reference Rate*) Reference Currency: [●] (*only relevant for CMS Reference Rate*) Designated Maturity: [●] (*only relevant for CMS Reference Rate and for Constant Maturity BTP Rate*) Specified Time: [●] in [●] (*only relevant for CMS Reference Rate and for Constant Maturity BTP Rate*)
	• 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*) (*in the case of a CMS Rate where the Reference Currency is euro or a Constant Maturity BTP Rate*): [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 Notes, specify relevant screen page and any applicable headings and captions*)

(*In the case of Constant Maturity BTP Linked Interest Notes, specify relevant screen page[, which is expected to be Bloomberg page GBTPGRN Index, where N is the Designated Maturity,] and any applicable headings and captions*)

- Party responsible for calculating the Rate(s) of Interest (if not the Agent): [*name*] shall be the Calculation Agent

(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. In the case of Constant Maturity BTP Linked Interest Notes or CMS Linked Interest Notes, if based on euro the first day of the Interest Period and if other, to be checked*)

(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)

(h) Linear Interpolation: [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)

(i) Margin(s): [+/-][●]% per annum

(j) Minimum Rate of Interest: [●]% per annum

(k) Maximum Rate of Interest: [●]% per annum

	(l)	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: (as referred to under Condition 6.5(c) (*Redemption And Purchase - Early Redemption Amounts*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[●]% per annum
	(b)	Reference Price:	[●]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[●] [30/360] [Actual/360] [Actual/365] (*Consider applicable day count fraction if not U.S. dollar denominated*)
16.	Inflation Linked Interest Note Provisions: (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a)	Inflation Index/Indices:	[●] Amounts payable under the Notes will be calculated by reference to [CPI-ITL/HICP] which is provided by [●]. [As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011 (the **Benchmarks Regulation**).] [As far as the Issuer is aware, [CPI/HICP] [does/do] not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that Regulation.]
(b)	Inflation Index Sponsor(s):	[●]
(c)	Reference Source(s):	[●]
(d)	Related Bond:	[Applicable]/[Not Applicable] The Related Bond is: [●] [Fallback Bond] The issuer of the Related Bond is: [●]
(e)	Fallback Bond:	[Applicable]/[Not Applicable]
(f)	Reference Month:	[●]
(g)	Cut-Off Date:	[●]/[Not Applicable]
(h)	End Date:	[●]/[Not Applicable] (*This is necessary whenever Fallback Bond is applicable*)
(i)	Additional Disruption Events:	[Change of Law] [Increased Cost of Hedging] [Hedging Disruption] [None]
(j)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Agent is to perform this function*)]
(k)	DIR(0):	[●]
(l)	Lookback Period 1:	[*insert number of months/years*]
(m)	Lookback Period 2:	[*insert number of months/years*]

(n)	Initial Ratio Amount:	[●]/[Not Applicable]
(o)	Trade Date:	[●]
(p)	Minimum Rate of Interest:	[●] % per annum
(q)	Maximum Rate of Interest:	[●] % per annum
(r)	Rate Multiplier:	[Not Applicable]/[[●] per cent]
(s)	Interest Determination Date(s):	[●]
(t)	Specified Period(s)/Specified Interest Payment Dates:	[●] [, subject to adjustment in accordance with the Business Day Convention Set out in (u) below/, not subject to any adjustment as the Business Day Convention in (u) below is specified to be Not Applicable]
(u)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
(v)	Additional Business Centre(s):	[●]/[Not Applicable]
(w)	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)

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call: (as referred to under Condition 6.3 (*Redemption at the option of the Issuer (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]
(c)	Redemption Margin: (*Only applicable to Make-Whole Amount redemption*)	[[●] per cent.] [Not Applicable]
(d)	Reference Bond: (*Only applicable to Make-Whole Amount redemption*)	[*insert applicable reference bond*] [Not Applicable]
(e)	Reference Dealers: (*Only applicable to Make-Whole Amount redemption*)	[[●]] [Not Applicable]
(f)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[●]
	(ii) Maximum Redemption Amount:	[●]
(g)	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 (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
18.	Investor Put: (as referred to under Condition 6.4 (*Redemption at the option of the Noteholders (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

	(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 (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Inflation Linked Redemption Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Inflation Index:	[●]
	(b)	Inflation Index Sponsor(s):	[●]
	(c)	Related Bond:	[Applicable]/[Not Applicable] The Related Bond is: [●] [Fallback Bond] The issuer of the Related Bond is: [●]
	(d)	Fallback Bond:	[Applicable]/[Not Applicable]
	(e)	Reference Month:	[●]
	(f)	Cut-Off Date:	[●]/[Not Applicable]
	(g)	End Date:	[●]/[Not Applicable] (*This is necessary whenever Fallback Bond is applicable*)
	(h)	Additional Disruption Events:	[Change of Law] [Increased Cost of Hedging] [Hedging Disruption] [None]
	(i)	Party responsible for calculating the Redemption Amounts (if not the Agent):	[name] shall be the Calculation Agent (*no need to specify if the Agent is to perform this function*)]
	(j)	DIR(0):	[●]
	(k)	Lookback Period 1:	*[insert number of months/years]*

	(l)	Lookback Period 2:	*[insert number of months/years]*
	(m)	Trade Date:	[●]
	(n)	Redemption Determination Date:	[●]
	(o)	Redemption Amount Multiplier:	[●] per cent
20.	Final Redemption Amount: (as referred to under Condition 6.1 (*Redemption at maturity)* and, in the case of Inflation Linked Notes, Conditions 6.9 (*Redemption of Inflation Linked Notes)* and 6.10 (*Calculation of Inflation Linked Redemption*))		[[●] per Calculation Amount]/(*in the case of Inflation Linked Redemption Notes*:) as per Conditions 6.9 (*Redemption of Inflation Linked Notes)* and Condition 6.10 (*Calculation of Inflation Linked Redemption*)
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default or pursuant to Condition 4.3 (*Inflation Linked Note Provisions*): (as referred to under Condition 6.5 (*Early Redemption Amounts)* and, in the case of Inflation Linked Notes, Conditions 6.9 (*Redemption of Inflation Linked Notes*) and 6.10 (*Calculation of Inflation Linked Redemption*))		[[●] per Calculation Amount] / [As per Condition 6.5 (*Early Redemption Amounts*)

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.*)]
	(b) [New Global Note:	[Yes][No]]
23.	Additional Financial Centre(s): (as referred to under Condition 5.5 (*Payment Day*))	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not Interest Period end dates to which subparagraph 14(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): (as referred to under the Introduction to the Terms and Conditions of the 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/No]

THIRD PARTY INFORMATION

[[*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 Snam S.p.A.

[●]

_____

By: [●]

Duly authorised

PART 2

OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	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 Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [●].] [Application is expected to be 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.]
(b)	Estimate of total expenses related to admission to trading:	[●] / [Not Applicable.]

2. RATINGS

Ratings:	[Not Applicable.] / [The Notes to be issued [have been]/[are expected to be] rated:]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally:] *[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**").

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

[Save for the 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/their] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests]*

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

(i)	[Reasons for the offer:	[General corporate purposes, as set out under "*Use of Proceeds*" in the Base Prospectus]/ [Other] [(*If "Other", set out use of proceeds here*)]
(ii)	[][Estimated net proceeds:	[●]/ [Not Applicable]
(iii)	[]Estimated total expenses:	[●] / [Not Applicable]] (*N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)

5. YIELD (Fixed Rate Notes only)

Indication of yield:	[[●]/[Not Applicable]]

6. HISTORIC INTEREST RATE (Floating Rate Notes only)

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

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING UNDERLYING, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS*

(N.B. Specify "**Not Applicable**" unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)

(i)	The final reference price of the underlying:	[[As set out in Condition 4.2(C) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest - Inflation Linked Interest Notes)/As* set out in Condition 6.10 (*Calculation of Inflation Linked Redemption*)]/[Not Applicable]]
(ii)	An indication where information about the past and the further performance of the underlying and its volatility can be obtained	[[●] /[Not Applicable]]
(iii)	The name of the index:	[[CPI - ITL / HICP] as defined in Annex 1 to the Base Prospectus]/[Not Applicable]]

(iv)	The place where information about the index can be obtained:	[[Bloomberg Page ITCPIUNR or its replacement / Eurostat's internet site]/[Not Applicable]]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

8. OPERATIONAL INFORMATION

(a)	ISIN:	[●]
(b)	Common Code:	[●]
(c)	CFI[3]:	[[ ]/Not Applicable]
(d)	FISN[4]:	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
(e)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*]
(f)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(g)	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.
(h)	[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.]

[3] CFI means "Classification of Financial Instruments".
[4] FISN means "Financial Instrument Short Name".

[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.]

9. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/give names] (*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
(c)	Date of [Subscription] Agreement:	[●]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. Selling Restrictions:	Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
(g)	Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] (*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction*)

* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

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 (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to the "Forms of 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 Snam 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:

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

(b) any Global Note; and

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

The Notes 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 31 October 2018 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (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 1 of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**") References to the "**applicable Final Terms**" are, unless otherwise stated, to Part 1 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. Global Notes do not have 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 "**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 (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders 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 31 October 2018 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*) and copies thereof are available for viewing

at the registered office of the Issuer and of the Agent and copies may be obtained from those offices. If this Note 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, 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 expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. The Noteholders 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.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Inflation Linked Note (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) or a combination of any of the foregoing, depending upon the Interest 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 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 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 SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**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 2 of the applicable Final Terms.

2. STATUS OF THE NOTES

The Notes and any relative 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 remains outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security upon the whole or any part of the assets or revenues, present or future, of the Issuer and/or any of its Material Subsidiaries to secure any Indebtedness, except for Permitted Encumbrances, unless:

(a) the same Security shall forthwith be extended equally and rateably to secure all amounts payable under the Notes and any related Coupons; or

(b) such other Security or guarantee (or other arrangement) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement), shall previously have been or shall forthwith be extended equally and rateably to secure all amounts payable under the Notes and any related Coupons.

As used herein:

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

"**Indebtedness**" means any present or future indebtedness for borrowed money which is in the form of, or represented by, bonds, notes, debentures or other debt securities and which is or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or regulated securities market;

"**Material Subsidiary**" means any consolidated Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or

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

A report by two officers of the Issuer stating 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 or proven error, be conclusive and binding on all parties;

"**Permitted Encumbrances**" means:

(a) any Security arising pursuant to any mandatory provision of law other than as a result of any action taken by the Issuer or a Material Subsidiary; or

(b) any Security in existence as at the date of issuance of the Notes, including any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security referred to in this paragraph, or of any Indebtedness secured thereby; *provided that* the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Security shall be limited to all or any part of the same property or shares of stock that secured the Indebtedness extended, renewed or replaced (plus improvements on such property), or property received or shares of stock issued in substitution or exchange therefor; or

(c) in the case of any entity which becomes a Material Subsidiary or is merged, consolidated or amalgamated into a Material Subsidiary or the Issuer after the date of issuance of the Notes, any Security existing over such entity's assets at the time it becomes (or is merged, consolidated or amalgamated into) such member of the Group, *provided that* the Security was not created in contemplation of, or in connection with, its becoming (or being merged, consolidated or amalgamated into) such member of the Group and *provided further that* the amounts secured have not been increased in contemplation of, or in connection with, its becoming (or is merged, consolidated or amalgamated into) such member of the Group; or

(d) any Security securing Project Finance Indebtedness; or

(e) any Security which is created in connection with, or pursuant to, a limited-recourse financing, factoring, securitisation, asset-backed commercial paper programme or other like arrangement where the payment obligations in respect of the Indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by the assets over which such Security is created (including, without limitation, receivables); or

(f) any Security created after the date of issuance of the Notes on any asset acquired by the person creating the Security and securing only Indebtedness incurred for the sole purpose of financing or re-financing that acquisition, *provided that* the principal amount of such Indebtedness so secured does not exceed the overall cost of that acquisition; or

(g) any Security created after the date of issuance of the Notes on any asset improved, constructed, altered or repaired and securing only Indebtedness incurred for the sole purpose of financing or re-financing such improvement, construction, alteration or repair, *provided that* the principal amount of such Indebtedness so secured does not exceed the overall cost of that improvement, construction, alteration or repair; or

(h) any Security that does not fall within subparagraphs (a) to (g) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security permitted under this subparagraph, does not exceed 5% of the Regulatory Asset Base of the Group as at the date of the creation of the Security;

"**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;

"**Project Finance Indebtedness**" means any present or future Indebtedness incurred in financing or refinancing the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets, whether or not an asset of a member of the Group:

(a) which is incurred by a Project Finance Subsidiary; or

(b) in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Project Finance Subsidiary) 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 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 in the borrower over its shares or the like in the capital of the borrower) to secure such 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 or are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence any

proceedings of whatever nature against any member of the Group (other than a Project Finance Subsidiary) and (c) an equity contribution in the borrower by the Issuer or Material Subsidiary, according to the then project finance market standard, shall not be deemed as a "recourse" to the relevant member of the Group;

"**Project Finance Subsidiary**" means any direct or indirect Subsidiary of the Issuer either:

(a) (i) which is a single-purpose company whose principal assets and business are constituted by the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets; and

(ii) none of whose Indebtedness in respect of the financing of such ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Project Finance Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (b)(ii) of the definition of Project Finance Indebtedness; or

(b) at least 70% in principal amount of whose Indebtedness is Project Finance Indebtedness;

"**Regulatory Asset Base**" means the regulated assets of the Group the value of which is determined by reference to the net capital invested in assets (*capitale investito netto*) as calculated by reference to applicable ARERA Regulations and on the basis of which gas transportation, storage, regasification, distribution tariffs are determined by ARERA;

"**Security**" means any mortgage, lien, pledge, charge or other security interest;

"**Subsidiary**" means, in respect of 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) whose accounts are required to be consolidated with those of the first Person pursuant to article 26 of Law 127 of 1991;

in the case of (a) and (b), pursuant to the provisions of Article 2359, first paragraph, no. 1 and no. 2, of the Italian Civil Code.

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

(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 (1) the number of days in such Determination Period and (2) 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); and

"**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 and Inflation Linked Interest Notes

(A) Interest Payment Dates

Each Floating Rate Note and Inflation Linked Interest 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) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (2) below shall apply *mutatis mutandis* or (ii) 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 (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in 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 any Additional Business Centre specified in the applicable Final Terms; and

(b) either (1) 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 (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open.

(B) Rate of Interest - Floating Rate Notes

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 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 and Constant Maturity BTP 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 (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the 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.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Specified Time, 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 in question.

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 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 on the relevant Interest Determination Date, 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, 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, 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), *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 Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this paragraph (A) of Condition 4.2, "**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 and, 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 Issuer;

"**Specified Time**" means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

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

(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 where CMS Reference Rate is specified as the Reference Rate in the applicable Final Terms:

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, after 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 discretion, in accordance with standard market practice.

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

For the purposes of this paragraph (B) of Condition 4.2:

"**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**", "**Relevant Screen Page**" and "**Specified Time**" 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 ISDA Definitions) with a designated maturity determined by the 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 or 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) Floating Rate Notes which are Constant Maturity BTP 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 and Constant Maturity BTP Rate is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be the gross yield before taxes of Italian government bonds with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date the Relevant Screen Page (or such replacement page on that service which displays the information) is not available, the Constant Maturity BTP Rate for such Interest Determination Date shall be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, as the gross yield before taxes based on the mid-market price for Italian government bonds with a maturity of the Designated Maturity, or as close to the Designated Maturity as considered appropriate by the Calculation Agent in its discretion, and in a Representative Amount at the Specified Time on the Interest Determination Date in question and shall be the arithmetic mean of quotations obtained from three Constant Maturity BTP Reference Banks selected by the Calculation Agent (from five such Constant Maturity BTP Reference Banks after 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 fewer than three or none of the Constant Maturity BTP Reference Banks provides the Calculation Agent with quotations for such prices as provided in the preceding paragraph, the Constant Maturity BTP Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its discretion, in accordance with standard market practice.

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

For the purposes of this paragraph (C) of Condition 4.2:

"**Constant Maturity BTP Reference Bank**" means the principal office of any "*Specialist in Italian Government Bonds*" included in the "*List of Specialists in Government Bonds*" (*Elenco Specialisti in Titoli di Stato*) published by the Department of Treasury (*Dipartimento del Tesoro*) from time to time.

"**Designated Maturity**", "**Margin**", "**Relevant Screen Page**" and "**Specified Time**" shall have the meaning given to those terms in 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) Rate of Interest - Inflation Linked Interest Notes

The Rate of Interest payable from time to time in respect of Inflation Linked Interest Notes for each Interest Period will be determined by the Calculation Agent, or other party specified in the applicable Final Terms, on the relevant Interest Determination Date in accordance with the following formula:

$$\text{Rate of Interest} = [\text{Rate Multiplier}] * \left(\frac{\text{DIR(t)}}{\text{DIR(0)}}\right)$$

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (D) below of Condition 4.2 (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Minimum Rate of Interest and/or Maximum Rate of Interest*) shall apply as appropriate.

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

The Rate of Interest and the result of DIR(*t*) divided by DIR(0) shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

Definitions

For the purposes of the Conditions:

"**Day of Month**" means the actual number of days since the start of the relevant month;

"**Days in Month**" means the number of days in the relevant month;

"**DIR(0)**" means the value specified in the applicable Final Terms and being the value as calculated in accordance with the following formula (where month "t" is the month and year in which the Trade Date falls):

DIR(0) = Inflation Index(t - Lookback Period 1) + [Inflation Index(t - Lookback Period 2) - Inflation Index(t - Lookback Period 1)]*[(DayOfMonth - 1)/DaysInMonth], rounded

(if necessary) to the fifth decimal place, with 0.000005 being rounded upwards;

"**DIR(t)**" means in respect of the Specified Interest Payment Date falling in month "t", the value calculated in accordance with the following formula:

DIR(t) = Inflation Index(t - Lookback Period 1) + [Inflation Index(t - Lookback Period 2) - Inflation Index(t - Lookback Period 1)]*[(DayOfMonth - 1)/DaysInMonth],

rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards;

"**Inflation Index**" means the relevant inflation index set out in Annex I to this Base Prospectus specified in the applicable Final Terms;

"**Inflation Index (t-Lookback Period 1)**" means the value of the Inflation Index for the month that is the number of months in the Lookback Period 1 prior to the month (t) in which the relevant Specified Interest Payment Date falls;

"**Inflation Index (t-Lookback Period 2)**" means the value of the Inflation Index for the month that is the number of months in the Lookback Period 2 prior to the month in which the relevant Specified Interest Payment Date falls; and

"**Rate Multiplier**" has the meaning given to it in the applicable Final Terms, *provided that* if Rate Multiplier is specified as "Not Applicable", the Rate Multiplier shall be deemed to be equal to one.

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

If the applicable Final Terms specify 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 or paragraph (C) 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 specify 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 or paragraph (C) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

The Agent, in the case of Floating Rate Notes, other than CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes, and the Calculation Agent, in the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes and Inflation Linked Interest Notes 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. In the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked

Interest Notes and Inflation Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period promptly after calculating the same.

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

(i) in the case of Floating Rate Notes or Inflation Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes or Inflation Linked Interest 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 or an Inflation Linked Interest 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.

In the case of Inflation Linked Interest Notes, if an Initial Ratio Amount is specified in the applicable Final Terms as applicable, the amount payable on the first Interest Payment Date in respect of the aggregate nominal amount of the Notes for the time being outstanding shall be the sum of the relevant Interest Amount (in respect of the period from and including the Interest Commencement Date to but excluding the first Interest Payment Date) plus an amount equal to the product of the Initial Ratio Amount multiplied by DIR(t)/DIR(0) (or in the event the Interest Amount referred to above is calculated in respect of Notes in definitive form, a *pro rata* proportion of such amount) (such sum shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards).

"**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:

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

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ 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

$\mathbf{D_2}$ 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 Di is greater than 29, in which case D2 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:

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

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ 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 Di 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.

"**Initial Ratio Amount**" means the value specified in the applicable Final Terms, if applicable.

(F) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period *provided however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(G) 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 or Inflation Linked Interest 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 or Inflation Linked Interest 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.

(H) 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 (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes*), whether by the Agent, or, if applicable, the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent, in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Inflation Linked Note Provisions

4.3.1 Definitions

For the purposes of Inflation Linked Interest Notes and Inflation Linked Redemption Notes:

"**Additional Disruption Event**" means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms.

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Final Terms):

(a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its affiliates or any other Hedging Party).

"**Cut-Off Date**" means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the "**Relevant Level**") in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

"**Determination Date**" means each of the Interest Determination Date and the Redemption Determination Date, as the case may be, specified as such in the applicable Final Terms.

"**End Date**" means each date specified as such in the applicable Final Terms.

"**Fallback Bond**" means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected

by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means at any relevant time, the Issuer, or any of its affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"**Interest Determination Date**" means the date specified in the applicable Final Terms, if applicable.

"**Inflation Index Sponsor**" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

"**Redemption Determination Date**" means the date specified in the applicable Final Terms, if applicable.

"**Reference Month**" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "**Fallback Bond**", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

"**Relevant Level**" has the meaning set out in the definition of "**Delayed Index Level Event**" above.

4.3.2 Inflation Index delay and disruption provisions

(A) Delay in publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

(i) if "**Related Bond**" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or

(ii) if (I) "**Related Bond**" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level),

in each case as of such Determination Date,

where:

"**Base Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"**Reference Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 13 (*Notices*) of any Substitute Index Level calculated pursuant to this paragraph (A) of Condition 4.3.2.

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this paragraph (A) of Condition 4.3.2 will be the definitive level for that Reference Month.

(B) Cessation of publication

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the "**Successor Inflation Index**") (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

(i) if at any time (other than after an early redemption has been designated by the Calculation Agent pursuant to this Condition 4.3), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "**Successor Inflation Index**" notwithstanding that any other Successor Inflation Index may previously have been determined under paragraphs (B)(ii), (B)(iii) or (B)(iv) below of Condition 4.3.2;

(ii) if a Successor Inflation Index has not been determined pursuant to paragraph (B)(i) above of Condition 4.3.2, and a notice has been given or an announcement has been made by the Inflation Index Sponsor specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;

(iii) if a Successor Inflation Index has not been determined pursuant to paragraphs (B)(i) or (B)(ii) above of Condition 4.3.2, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "**Successor Inflation Index**". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "**Successor Inflation Index**". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this paragraph (B)(iii) of Condition 4.3.2, the Calculation Agent will proceed to paragraph (B)(iv) below of Condition 4.3.2; or

(iv) if no replacement index or Successor Inflation Index has been determined under paragraphs (B)(i), (B)(ii) or (B)(iii) above of Condition 4.3.2 by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "**Successor Inflation Index**"; or

(v) if the Calculation Agent determines that there is no appropriate alternative inflation index to Inflation Linked Interest Notes, the Issuer may redeem the Notes early at the Early Redemption Amount.

(C) Rebasing of the Inflation Index

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for the purposes of determining the level of the Inflation Index from the date of such rebasing; *provided*, *however*, *that* the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "**Related Bond**" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(D) Material modification prior to last occurring Cut-Off

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(E) Manifest Error in Publication

With the exception of any corrections published after the day which is fifteen (15) Business Days prior to the relevant Redemption Determination Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it

determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 13 (*Notices*).

(F) Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

(a) make any adjustment or adjustments to the payment or any other term or condition of the Notes as the Calculation Agent determines appropriate; and/or

(b) redeem all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 13 (*Notices*) by payment of the relevant Early Redemption Amount, as at the date of redemption, taking into account the relevant Additional Disruption Event.

4.3.3 Inflation Index disclaimer

The Notes are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. The Issuer shall not have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor its affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

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 (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph 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 6.4) 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 ten 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 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.

5.5 Payment Day

If the date for payment of any amount in respect of any Note 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):

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

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

(b) either (1) 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 (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

5.6 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 Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5 (*Early Redemption Amounts*)); and

(f) 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 or, in the case of each Note which is an Inflation Linked Redemption Note, determined in accordance with Condition 6.10 (*Calculation of Inflation Linked Redemption*) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

See Condition 6.9 (*Redemption of Inflation Linked Notes*) and Condition 6.10 (*Calculation of Inflation Linked Redemption*) in relation to each Note which is an Inflation Linked Redemption Note.

6.2 Redemption for tax reasons

Subject to Condition 6.5 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days' notice 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 the 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 two officers 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.

Notes redeemed pursuant to this Condition 6.2 (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in paragraph 6.5 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 notices 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 Make-Whole Amount is specified in the applicable Final Terms, an amount equal to the higher of (as determined by the Agent):

(a) 100 per cent. of the principal amount of the Note to be redeemed; or

(b) as calculated by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, 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) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin,

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

As used in this Condition 6.3:

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

"**Reference Bond**" shall be as set out in the applicable Final Terms;

"**Reference Dealers**" shall be as set out in the applicable Final Terms; and

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

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)

If 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, the Issuer will, upon the expiry of such notice, 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.

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 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 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 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*).

6.5 Early Redemption Amounts

For the purpose of Condition 4.3 (*Inflation Linked Note Provisions*), Condition 6.2 (*Redemption for tax reasons*) 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 of the first Tranche of the Series, 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 of the first Tranche of the Series, 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:

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

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); or

(d) in the case of an Inflation Linked Interest Note and/or an Inflation Linked Redemption Note, at an amount calculated in accordance with Condition 6.9 (*Redemption of Inflation Linked Notes*) and Condition 6.10 (*Calculation of Inflation Linked Redemption*).

6.6 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 Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

6.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6.6 above (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.8 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 (*Redemption And Purchase - Early Redemption Amounts*) 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*).

6.9 Redemption of Inflation Linked Notes

In respect of Inflation Linked Notes, the Calculation Agent will calculate such Final Redemption Amount or Early Redemption Amount (as the case may be) promptly after each time such amount is capable of being determined and will notify the Agent thereof promptly after calculating the same. The Agent will promptly thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 13 (*Notices*).

6.10 Calculation of Inflation Linked Redemption

The Final Redemption Amount payable in respect of each Note that is an Inflation Linked Redemption Note shall be determined by the Calculation Agent on the Redemption Determination Date (utilising the DIR(*T*) value applicable to the Final Redemption Amount) in accordance with the following formula:

$$\text{FinalRedemptionAmount} = \text{Specified Denomination} * \text{Max}\left[100\%; [\text{RedemptionAmountMultiplier}] * \left(\frac{\text{DIR}(T)}{\text{DIR}(0)}\right)\right]$$

The result of DIR(*T*) divided by DIR(0) shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards and the Final Redemption Amount shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards.

The Early Redemption Amount payable in respect of each Note that is an Inflation Linked Interest Note or an Inflation Linked Redemption Note shall be the sum of (i) a principal amount determined by the Calculation Agent promptly after the time the Early Redemption Amount is capable of being determined in accordance with the formula set out above, *provided that* the reference to "**Final Redemption Amount**" shall be replaced by a reference to "**Early Redemption Amount**" and the DIR(T) value applicable to the Early Redemption Amount shall be utilised; and (ii) interest accrued but unpaid in respect of the period from, and including, the most recent Interest Payment Date to, but excluding, the date for redemption of the Notes where the Rate of Interest for such period shall be calculated in accordance with the applicable Final Terms.

Defined terms used in this Condition shall have the same meanings as set out in Condition 4.2(C) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest - Inflation Linked Interest Notes*) *provided that*, "DIR(T)" means the value of the Inflation Index for (i) in the case of the calculation of the Final Redemption Amount, the Maturity Date and (ii) in the case of the calculation of the Early Redemption Amount, the date for redemption of the Notes, in each case calculated in accordance with the following formula where month "t" is the month and year of the Maturity Date in the case of (i) above and the month and year in which the date for redemption falls in the case of (ii) above:

DIR(t)=Inflation Index(t-Lookback Period 1)+[Inflation Index(t-Lookback Period 2)-Inflation Index(t-Lookback Period 1)]*[DayOfMonth-1)/DaysInMonth]

Rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards

If the date for redemption occurs prior to the first Interest Payment Date, a *pro rata* proportion of an amount equal to the product of the Initial Ratio Amount multiplied by DIR(T)/DIR(0) shall be added to the relevant Interest Amount (in respect of the period from and including the Interest Commencement Date to but excluding the date of redemption of the Notes) (such sum shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards).

"**Redemption Amount Multiplier**" has the meaning given to it in the applicable Final Terms, *provided that* if Redemption Amount Multiplier is specified as "Not Applicable", the Redemption Amount Multiplier shall be deduced to be equal to 100 per cent.

The provisions of Condition 4.3 (*Inflation Linked Note Provisions*) shall apply *mutatis mutandis*.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of 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 or levied 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 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 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 or Coupon:

(a) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon, 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 or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note 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 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*)); or

(d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to, a declaration of residence or non-residence, but fails to do so; or

(e) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes 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

(f) 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 becomes subject by reason of its tax residence or a permanent establishment maintained therein in respect of payments made by it of principal and interest on the Notes 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 and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten 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 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes 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 these 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 45 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any

originally applicable grace period) or default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), *provided that* no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall exceed at any time €100,000,000 (or its equivalent in any other currency); or

(d) any Security (other than any Security securing Project Finance Indebtedness or Indebtedness for Borrowed Money incurred in the circumstances described in the definition of Project Finance Indebtedness as if such definition referred to Indebtedness for Borrowed Money), present or future, created or assumed on or against all or a material part of the property, assets or revenues of the Issuer, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) which is not contested in good faith by all appropriate means or discharged or cancelled within 60 days of such enforcement; or

(e) if any order is made by any competent court or resolution passed for the liquidation, winding up or dissolution (*scioglimento o liquidazione*) of the Issuer or any of its Material Subsidiaries and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of (i) a solvent amalgamation, merger, de-merger or reconstruction (a "**Solvent Reorganisation**") under which the assets and liabilities of the Issuer or such Material Subsidiary, as the case may be, are assumed by the entity resulting from such Solvent Reorganisation and (A) such entity continues to carry on substantially the same business of the Issuer or such Material Subsidiary, as the case may be, and (B) in the case of a Solvent Reorganisation of the Issuer, such entity assumes all the obligations of the Issuer in respect of the Notes and the Coupons 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 Solvent Reorganisation, or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution; or

(f) if the Issuer or any of its Material Subsidiaries ceases or announces that it shall cease to carry on the whole or a substantial part of its business, save for the purposes of (i) a Solvent Reorganisation under which the assets and liabilities of the Issuer are assumed by the entity resulting from such Solvent Reorganisation and such entity assumes all the obligations of the Issuer in respect of the Notes and the Coupons 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 Solvent Reorganisation, or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution; or

(g) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator 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 a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial 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 a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) unless initiated by a member of the Group, is not contested in good faith by all appropriate means or is not discharged within 60 days; or

(h) if the Issuer or any of its Material Subsidiaries fails to pay a final judgment (*sentenza passata in giudicato*, in the case of a judgment issued by an Italian court) of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Issuer or any of its Material Subsidiaries has been entered against it or an execution is levied, enforced upon

or sued out against the whole or any substantial part of the assets or property of the Issuer or any of its Material Subsidiaries pursuant to any such judgment (for the purposes of paragraph (g) above and this paragraph (h), a "substantial part" of an entity's assets or property means a part of the relevant entity's assets or property which accounts for 30% or more of the relevant entity's assets or property as determined by reference to the most recently audited consolidated financial statements of the relevant entity); or

(i) if 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, or 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) otherwise than for the purposes of a solvent amalgamation, merger, de-merger or reconstruction,

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 present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, 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 may reasonably require. Mutilated or defaced Notes, 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.

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 trading 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; and

(c) 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 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders 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 Noteholder or Couponholder. 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, and 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* 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 including publication on the website of the relevant stock exchange or relevant authority if required by those rules. 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) or such websites or 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 on the website of the relevant stock exchange or relevant authority and/or 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 such day as is specified in the applicable Final Terms 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

In accordance with the rules of the Italian Civil Code, Schedule 5 of 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 or 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 and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time. 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.

Such a meeting may be convened by the Board of Directors of 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% 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 a place as provided pursuant to Article 2363 of the Italian Civil Code.

Such a meeting will be validly held if (subject to mandatory laws, legislation, rules and regulations of Italian law in force from time to time and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time) 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.

The majority required to pass a resolution at any meeting convened to vote on any resolution will be one or more persons holding or representing at least three fourths of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; *provided*, *however*, *that* 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 or the Coupons) may only be sanctioned by a resolution passed at a meeting (as provided under Article 2415 of the Italian Civil Code) of Noteholders by one or more persons holding or representing not less than one half of the aggregate nominal amount of the Notes for the time being outstanding.

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 Couponholders.

A representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, is 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 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 Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders 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 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 amount and date of the first payment of interest thereon and the date from which the interest starts to accrue 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 and the Coupons and any non-contractual obligations arising out of or in connection with Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law. Condition 14 and Schedule 5 of the Agency Agreement 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 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 and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes 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. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or 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 Laurentia Financial Services Limited at its registered office for the time being as its agent for service of process, and undertakes that, in the event of Laurentia Financial Services Limited 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.

17.4 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each Tranche of Notes will be applied by the Issuer for its general corporate purposes, unless otherwise stated in the applicable Final Terms relating to that Tranche of Notes.

DESCRIPTION OF THE ISSUER

Overview

Snam S.p.A. ("**Snam**"), through its main operating subsidiaries (*namely,* Snam Rete Gas S.p.A., Infrastrutture Trasporto Gas S.p.A., GNL Italia S.p.A. and Stogit S.p.A.), is the leading operator in the regulated gas sector in Italy and one of the main regulated operators in Europe in terms of regulatory asset base (RAB).

Snam was incorporated as a limited liability company (*società per azioni*) under the Laws of the Republic of Italy on 15 November 2000 and, pursuant to its by-laws (the "**By-laws**"), its final term ends on 31 December 2100 unless such term is extended by a shareholder resolution. Snam operates under the laws of the Republic of Italy. Snam's registered address is Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy and it is registered with the Companies' Register of Milan, Monza Brianza, Lodi Chamber of Commerce with company number 13271390158. Its telephone number is (+39) 02 37031.

Snam's main business areas, namely transportation and dispatching, storage of natural gas and liquefied natural gas ("**LNG**") regasification, are all regulated activities in Italy under the authority of the ARERA. Under applicable regulations, these services must be offered to third parties on equal terms and conditions and at regulated tariffs. See section headed "*Regulatory and Legislative Framework*".

As of the date of this Base Prospectus, Snam holds, directly or indirectly, 100% of the share capital of the following operating companies: **(i)** Snam Rete Gas S.p.A. ("**Snam Rete Gas**"), responsible for the management and development of the natural gas transportation system, **(ii)** Infrastrutture Trasporto Gas S.p.A. ("**ITG**"), being the third Italian operator in the transport of natural gas, that manages the pipeline that connects the Adriatic LNG regasification terminal to the national transport network near Minerbio (Bologna), **(iii)** GNL Italia S.p.A. ("**GNL Italia**") operating in the regasification field, **(iv)** Stogit S.p.A. ("**Stogit**") providing natural gas storage services, **(v)** Snam 4 Mobility S.p.A. ("**Snam 4 Mobility**"), whose main activities are the construction, acquisition, development and maintenance of compressed natural gas (**CNG**) and liquefied natural gas (**LNG**) filling plants and the study and design of filling stations; and **(vi)** Cubogas S.r.l. ("**Cubogas**") operating in the design, development and production of technological solutions for natural gas fuelling stations for the automotive sector (these operating companies, together with Snam, the "**Snam Group**").

These operating companies are subject to management and co-ordination by Snam pursuant to article 2497 and subsequent provisions of the Italian Civil Code. Snam also holds 100% of the share capital of **Gasrule Insurance DAC** (a company with legal headquarters in Ireland) which is the "captive" insurance company of the Snam Group and which is also subject to management and co-ordination by Snam.

Snam is also active, albeit to a lesser extent, in the following non-regulated sectors: (i) the lease and maintenance of fibre-optic telecommunications cables and (ii) the design, construction and maintenance of facilities and plants for third parties. In 2017 Snam established a new company, Snam 4 Mobility, with the aim of promoting the development of g-mobility (*i.e.* sustainable mobility with natural gas), through, *inter alia*, the construction of new CNG and LNG service stations in Italy. Snam 4 Mobility, in addition to the participation in Cubogas, also holds the 70% quota of the capital of IES Biogas S.r.l. ("**IES Biogas**"), one of the leading Italian companies in the design, construction and management of biogas and biomethane production plants.

Snam also holds, *inter alia*, directly or indirectly[5]:

- the 82% quota of the capital of TEP Energy Solution S.r.l. ("**TEP**"), one of the leading Italian companies active in the energy efficiency sector, as an Energy Service Company (**Esco**);

- the 13.5% quota of the capital of Italgas S.p.A., the leading operator in the distribution of natural gas in Italy;

[5] For the complete structure chart of the Snam group please refer to the chart on page 88 below.

- the 7.3% quota of the capital of Terminale GNL Adriatico S.r.l. ("**Adriatic LNG**"), that is the largest offshore gravity based structure for LNG unloading, storing and regasification and the largest LNG terminal in Italy.

IES Biogas and TEP are also subject to management and co-ordination by Snam pursuant to article 2497 and subsequent provisions of the Italian Civil Code and part of the Snam Group[6].

Snam has implemented a process of reorganization with the aim of enabling the evolution from "Group" to "One Company", in support of the achievement of its strategic goals. In this context, the management has adopted a new organisational structure designed to facilitate cross-functional collaboration and provide end-to-end processes.

The above mentioned reorganisation consists of:

1. the creation of four Business Units, respectively, focused on: commercial and regulatory activities as well as development of new businesses, coordination and management of Italian subsidiaries, management of foreign equity investments and the development and sale of services extracted from the entire Snam value chain; and

2. the redesign of staff functions with the purpose of process simplification, efficiency and continuous improvement.

The main features and objectives of the four Business Units ("BUs") are shown below:

1. *Commercial, Regulation and Development BU:* this shall manage the commercial activities of Snam Rete Gas and the relationship with the ARERA, as well as the evaluation of new businesses and services, opportunities connected to emerging natural gas uses and business development operations;

2. *Industrial Assets BU*: this shall have the objective of coordinating strategies and processes that cut across natural gas transportation, storage and regasification business activities, facilitating integrated exploitation and development of technical know-how;

3. *International Assets BU*: this shall provide oversight of the management of assets and subsidiaries abroad, with the objective of promoting the increased interconnection of European infrastructures and further contributing to the creation of a single energy market; and

4. *Global Solutions BU*: this aims at generating additional value through the sale of services to third parties, including Snam's subsidiaries.

Snam is also active in international activities in gas infrastructures with direct or indirect shareholdings, amongst others, in **(i)** TEREGA S.A., former TIGF S.A. (40.5%), the second largest transport and storage operator in France, **(ii)** Interconnector UK Limited (23.68%), the owner and operator of a sealine connecting the UK and Belgian markets, **(iii)** Trans Austria Gasleitung GmbH ("**TAG**") (84.47% of the share capital, equivalent to 89.22% of the economic rights) that is the independent transmission operator that owns and operates the Austrian section of the gas pipeline linking Russia and Italy, **(iv)** Trans Adriatic Pipeline AG ("**TAP**") (20%) a pipeline under construction connecting the EU/Turkey border with Italy through Greece, Albania and the Adriatic See, and **(v)** Gas Connect Austria GmbH ("**GCA**") (19.6%), the independent transmission system operator which owns and operates an 886km natural gas pipeline grid in Austria.

As at the date of this Base Prospectus Snam's share capital is €2,735,670,475.56 divided into 3,469,038,579 shares with no indication of nominal value. The shares are not divisible and each gives the right to one vote, excluding those shares in relation to which voting rights have been suspended by special statutory provisions. Snam's shares are listed on the Italian stock exchange ("**Borsa Italiana S.p.A**." or "**Borsa Italiana**").

As at the date of this Base Prospectus, based on information in Snam's shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, only CDP, Minozzi Romano, Lazard Asset Management LLC, BlackRock and

[6] To the purposes of the definition of "Snam Group" through this Base Prospectus, please note that: (i) the acquisition of TEP was completed on 30 May 2018, (ii) the acquisition of IES Biogas was completed on 5 July 2018, and (iii) the acquisition of Cubogas was completed on 25 July 2018. Therefore, any reference to the "Snam Group" as at 31 December 2017 do not take into consideration the above-mentioned companies.

Snam own, directly or indirectly, interests in excess of 3% of Snam's ordinary shares. For further information, please see section headed "*Principal Shareholders*" below.

Snam's long-term rating is currently "Baa2" (*stable outlook*) by Moody's, "BBB+" (*negative outlook*) by S&P and "BBB+" (*stable outlook*) by Fitch. On 23 October 2018 Moody's has decided to downgrade the Issuer's long-term ratings by one notch, from Baa1 to Baa2, as a consequence of the action on the government of Italy's sovereign rating (from Baa2 with negative outlook to Baa3 with stable outlook) announced on 19 October. The outlook on the rating is stable. On 29 October 2018, S&P decided to affirm Snam's BBB+ long-term corporate credit rating and to revise the outlook on the rating from stable to negative, as a consequence of the correspondent action on the outlook of the government of Italy's sovereign rating (BBB with outlook revised from stable to negative) announced on 26 October 2018.

In July 2017 the Issuer set up the "Snam Foundation", a non-profit organisation aimed at developing and promoting innovative and responsible practices so as to contribute to Italy's civil, cultural and economic development in priority areas of public interest.

Alternative Performance Measures

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

For a correct understanding of these APMs, note the following:

1. the APMs are based exclusively on the Snam Group's historical data and are not indicative of the future performance;
2. the APMs are not derived from the International Financial Reporting Standards ("**IFRS**") and, as they are derived from the consolidated financial statements prepared in conformity with these principles, they are not subject to audit;
3. the APMs should not be considered as replacing the indicators required by IFRS;
4. the APMs should be read together with the financial information for the Snam Group taken from the consolidated financial statements for the year 2017 and for the half-year ending 30 June 2018;
5. since they are not derived from IFRS, the definitions used in connections with the APMs might not be standardised with those adopted by other companies/groups and therefore they are not comparable;
6. the APMs and definitions used herein are consistent and standardised for all the periods for which financial information in this Base Prospectus is included.

The APMs reported below have been identified and used in the Base Prospectus because the Snam Group believes that:

- net financial debt provides a better evaluation of the overall level of debt, the capital solidity and the capacity to repay the debt; and
- performance measurements relating to EBIT and net profit, as well as adjusted configurations, analyse business performance, and provide a better comparison of the results; these indicators are also generally used for the purpose of evaluating company performance.

The Alternative Performance Measures identified from the management are:

- EBIT: Net operating income, calculated as the sum of the values pertaining to net profit, income taxes and net financial expenses, net of net income from equity investments;
- EBIT Adjusted: EBIT Adjusted excludes special items from EBIT. Income entries are classified as special items, if material, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business;

– Net financial debt: indicator of the ability to meet obligations of a financial nature, calculated as the sum of the values pertaining to the short- and long-term financial debt items net of cash and cash equivalents; and

– RAB: Value of net invested capital for regulatory purposes, calculated based on the rules defined by the ARERA in order to determine the benchmark revenues for the regulated businesses (ARERA Resolution 514/2013/R/gas for the gas transportation business, ARERA Resolution 438/2013/R/gas for the gas regasification business and ARERA Resolution 531/2014/R/gas for the gas storage business).

The table below shows key financial and operating data for each of the three regulated business areas of the Snam Group for the year ended 31 December 2017, based on the consolidated annual report of Snam Group at 31 December 2017:

	Transport(a)	**Storage**	**Regasification**	**Corporate and other activities**	**Consolidated Annual Report Snam Group Total**
Core Business Revenue (€m)	1,948	442	19	84	2,493
EBIT (€m)	1,037	339	2	(30)	1,348
Capex (€m)	917	101	5	11	1,034
Net financial debt (€m)	N/A	N/A	N/A		11,550
RAB as of 31/12/2016 (€bn)	16.2	4.0 (b)	0.1		
Operational data	Gas injected into the network (bcm): 74.59	Storage capacity (bcm): 16.7 of which 12.2 Modulation and 4.5 Strategic	One LNG plant		
	Gas pipeline network (km in operation): 32,584	Gas moved through storage system (bcm): 19.92 of which 9.80 injected and 10.12 withdrawn	Capacity: 3.5 bcm		

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(a) data of Snam Rete Gas and ITG

(b) data as at 31/12/2015

Any financial or other data contained in this Base Prospectus regarding the Snam Group are, unless stated otherwise, as at 31 December 2017.

Competitive Position

Any statements in this Base Prospectus regarding Snam's competitive position in Italy are, unless stated otherwise, based on information contained in the ARERA's 2018 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull'attività svolta)* dated 31 March 2018 (the "**ARERA 2018 Report**").

Currently the Snam Group, as an integrated operator, has the leading position in the regulated natural gas business in Italy.

As for Snam's international development activities, the Group is focusing on the implementation of the European principles of improving interconnectivity among national markets and increasing the effectiveness of market flexibility. These targets rely on a strategic positioning of the Italian infrastructures with respect to the so-called "priority gas corridors" defined by the European Commission.

Transportation

Even though there are no regulatory barriers to entry into the gas transportation business, in practice, the construction of a competing network of pipelines would entail substantial investment and lead-in times in addition to the requirement of obtaining authorisation from the MED. Given the nature of the natural gas sector, Snam, through its subsidiaries Snam Rete Gas and ITG, does not currently have significant competitors in the market for the transportation of natural gas in Italy that, at least in the short, to medium-term, will be able to provide alternative services. Factors that will affect the level of competition in the Italian gas market include the development of the regulatory framework, the level of demand for gas, as well as the extent to which local networks that are able to distribute greater quantities of gas to final customers are developed.

In 2017 Snam, through Snam Rete Gas and ITG, transported 99.9% of the aggregate amount of injected natural gas transported in Italy. The remaining (0.1%) of injected natural gas was transported by other operators.

Regasification

As at the year ended 31 December 2017, Snam operates, through GNL Italia, an LNG terminal located in Panigaglia in the Italian province of La Spezia, with a regasification capacity of up to 17,500 cubic metres of LNG per day, which, when operating at maximum capacity, can, therefore, inject annually over 3.5 billion cubic metres of natural gas into the transportation network. GNL Italia is the third largest operator in the Italian market of LNG regasification in terms of regasification capacity.

Storage

As at the year ended 31 December 2017, Snam held, through Stogit, ten storage fields under a concession regime with a total available storage capacity of 16.7 billion cubic metres, which represents more than 94% of the total capacity in Italy for natural gas storage. There is currently only one other storage operator active in Italy.

History

The name "*Snam*" dates back to October 1941 when the company "*Società Nazionale Metanodotti*" (not to be confused with the current Snam S.p.A.) was formed for the construction and operation of pipelines and the distribution and sale of gas. During the second half of the 20th century, "*Società Nazionale Metanodotti*" continued to develop a network of gas transportation pipelines spreading from the north of Italy through the rest of the country as well as international pipelines enabling import from Northern Europe, Algeria, Russia and Libya.

Following the enactment of Legislative Decree No. 164/2000 (the "**Letta Decree**") requiring the separation of natural gas transportation and dispatching (including LNG regasification) from other natural gas activities (See "*Regulatory and Legislative Framework*"), on 15 November 2000, the company Rete Gas Italia S.p.A. was established and, in July 2001, it inherited from "*Società Nazionale Metanodotti*" the natural gas transportation and dispatching and LNG regasification operations. On 27 July 2001, Rete Gas Italia S.p.A. established GNL Italia S.p.A for the purposes of carrying out the regasification activities.

In October 2001, the Issuer's corporate name was changed from Rete Gas Italia S.p.A. to Snam Rete Gas S.p.A. with the aim of emphasising to the market the continuity of values and skills, as well as corporate culture, associated with "*Società Nazionale Metanodotti*".

In December 2001, Snam's shares were listed on the MTA (*mercato telematico azionario*) division of the Borsa Italiana. In March 2002, Snam's shares were included in the basket comprising the MIB-30 index of Borsa Italiana. From September 2002, Snam became a member of the FTSE4Good Index and from September 2009 a member of DJ Sustainability Index, which are a series of indices that measure the financial performance of companies that comply with globally-recognised rules on corporate conduct. Snam is also included in the FTSEMIB Index and in several leading international indices, including Stoxx Europe, S&P Europe, and MSCI Euro indices.

In June 2009, Snam bought from ENI the entire share capital of Italgas Reti S.p.A. (formerly Italgas S.p.A.), Italy's leading natural gas distributor, and Stogit, the country's biggest operator in the natural gas storage sector. Following this acquisition, the Snam Group became the largest integrated operator in the regulated gas sector in continental Europe in terms of amount of capital invested for regulatory purposes or RAB (regulatory asset base).

On 1 January 2012, in implementing Legislative Decree No. 93/2011 ("**Decree 93/2011**"), which encodes into national legislation the European Union Directives concerning the Third Energy Package, Snam modified its corporate structure. The Issuer changed its corporate name from Snam Rete Gas S.p.A. to Snam S.p.A. and transferred the transportation and dispatching business to a new company named Snam Rete Gas S.p.A., taking into account familiarity with the brand associated with the leading Italian operator in the gas transportation business. Pursuant to the same corporate reorganisation, the "Unbundled Companies Administrative Services" and part of the "ICT (information and communication technology)" business units were transferred into the Snam Group from Eni Adfin S.p.A. and ENI respectively.

As a result, Snam became a holding company wholly owning the relevant operating companies that focus on the management and development of their respective businesses. Snam Rete Gas, the new transportation company, was configured as an Independent Transmission Operator, as defined in Italy's implementation of the "Third Energy Package" of the European Union.

In compliance with the Third Gas Directive, in December 2011 Snam submitted an application to the ARERA for Snam Rete Gas to be certified as an Independent Transmission Operator and on 4 October 2012, the certification (Resolution 403/2012/R/gas) was adopted after the European Commission issued a favourable opinion on the preliminary certification adopted by the ARERA (Resolution 191/2012/E/GAS).

In accordance with Italian Law Decree No. 1/2012, which was converted into Law 27/2012 on 24 March 2012, and with Italian Presidential Decree issued on 25 May 2012 (the "**May Decree**") pursuant to which, *inter alia*, ENI was required to sell at least 25.1% of the ordinary shares of Snam in the shortest time frame compatible with market conditions, and in any event not later than 25 September 2013, on 30 May 2012 ENI and CDP announced that their respective boards of directors had approved the sale by ENI to CDP of 30% less one share of Snam's outstanding share capital (i.e. excluding the Issuer's treasury shares (*azioni proprie*)).

Upon fulfilment of certain conditions precedent (including approval from the AGCM), on 15 October 2012 ENI completed the sale to CDP of 1,013,619,522 ordinary shares of Snam, equivalent to 30% minus one share of Snam's voting capital, thereby losing control of Snam. Such transaction followed the sale to institutional investors of a further 5% of Snam's share capital (equivalent to 5.28% of the voting capital) by ENI on 18 July 2012. Subsequent to October 2012, ENI entered into other transactions pursuant to which it sold another portion of its shareholding in Snam.

Following completion of the ownership unbundling from ENI, in accordance with the procedures set out by the May Decree, the ARERA was required to issue a new certification of the transmission system operator, i.e. Snam Rete Gas, as provided for by Legislative Decree 93 of 1 June 2011 and, accordingly, in December 2012 Snam Rete Gas filed an application to be recertified as a Transmission System Operator operating under ownership unbundling.

With Resolution 7/2013/R/GAS published on 17 January 2013, the ARERA commenced the procedure aimed at the re-certification of Snam Rete Gas S.p.A. as Transmission System Operator under ownership unbundling

pursuant to the Third Gas Directive. On 20 June 2013 the ARERA issued the Resolution No. 266/2013/R/gas on the preliminary certification of Snam Rete Gas S.p.A. in accordance with the ownership unbundling regime.

On 14 November 2013 the ARERA issued the Resolution No. 515/2013/R/gas on the definitive certification of Snam Rete Gas as a natural gas transmission operator under ownership unbundling requirements as set out by the May Decree.

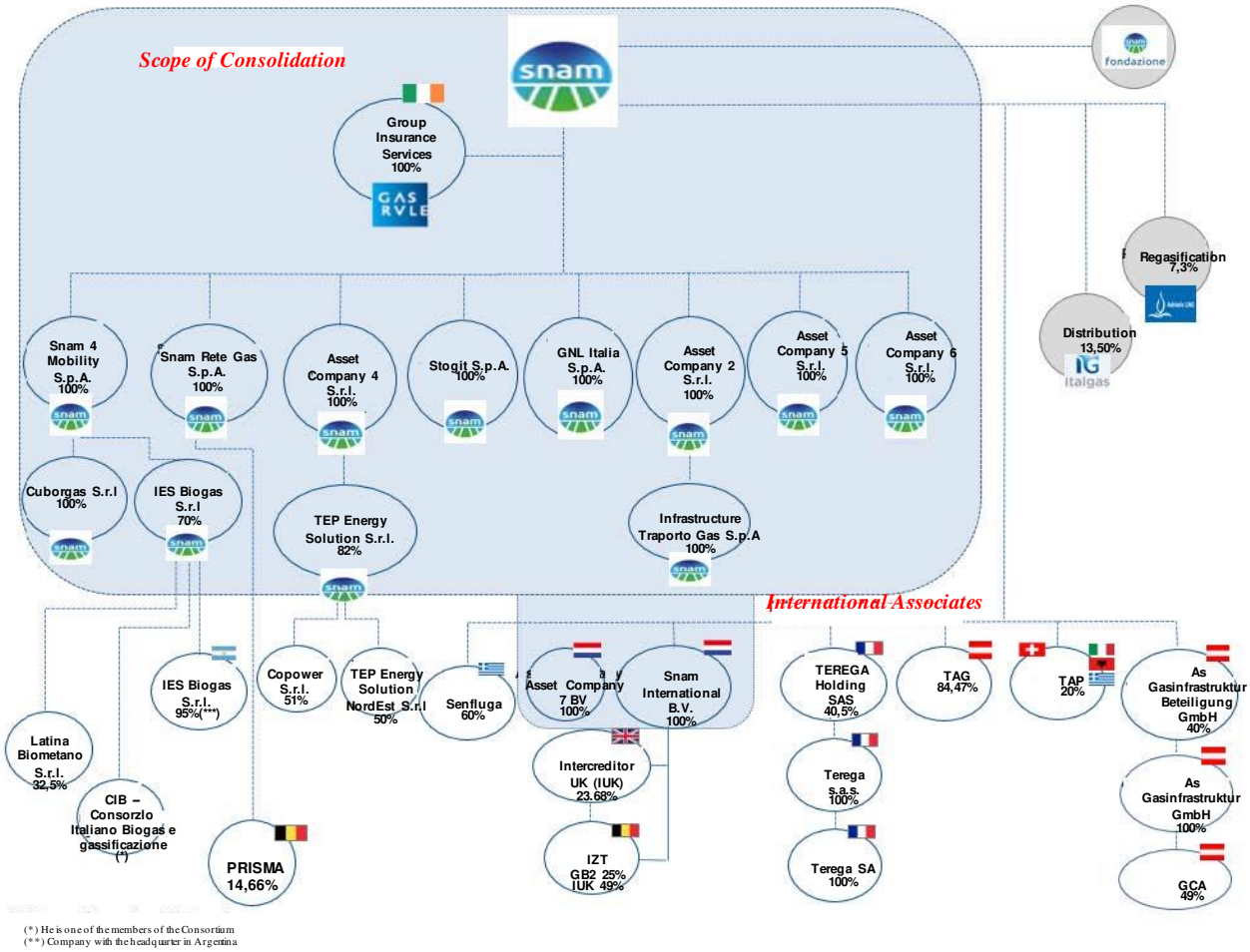
Following the sale of part of the shares in CDP RETI by CDP to State Grid of China in the last quarter of 2014, with Resolution 20/2015/R/COM of 29 January 2015, the ARERA started a procedure aimed at confirming the fulfilment of the requirements set forth by the ARERA for adopting the certification decision, with reference in particular to the shareholder structure and ownership chain of Snam Rete Gas (see "*Ownership Unbundling*" below). Such procedure ended with a positive outcome in June 2016 and ARERA confirmed compliance with the ownership unbundling requirements and the certification decision issued in 2013.

On 2 July 2015 the ECB added Snam to the list of issuers whose securities are eligible to be purchased under the public sector purchase programme.

On 7 November 2016, with the initial listing of Italgas S.p.A. (formerly ITG Holding S.p.A.) on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., the separation of Italgas Reti S.p.A. (formerly Italgas S.p.A.) from Snam entered into effect. Following the separation, Snam continues to hold a 13.5% equity investment in Italgas S.p.A.

On 7 November 2016, the date that the above-mentioned separation took effect, a shareholders' agreement signed on 20 October 2016 by CDP Reti and Snam became effective. Such shareholders' agreement constitutes a block voting shareholders' agreement, with Snam having the right of early withdrawal if, in the event of Snam opposing the vote of the syndicated shares on reserved subjects of an extraordinary nature, Snam does not sell its equity investment in Italgas within the next 12 months. Transfers of Snam's whole equity investment in Italgas are subject to pre-emptive rights of CDP Reti and to CDP Reti's prior consent in case of transfer to third parties, which will be required to comply with the same provisions under the shareholders' agreement. Snam may also increase its equity investment. The agreement is for three years, renewable unless notice is given; if Snam does not renew it, CDP Reti will have the option to purchase Snam's equity investment in Italgas at fair market value.

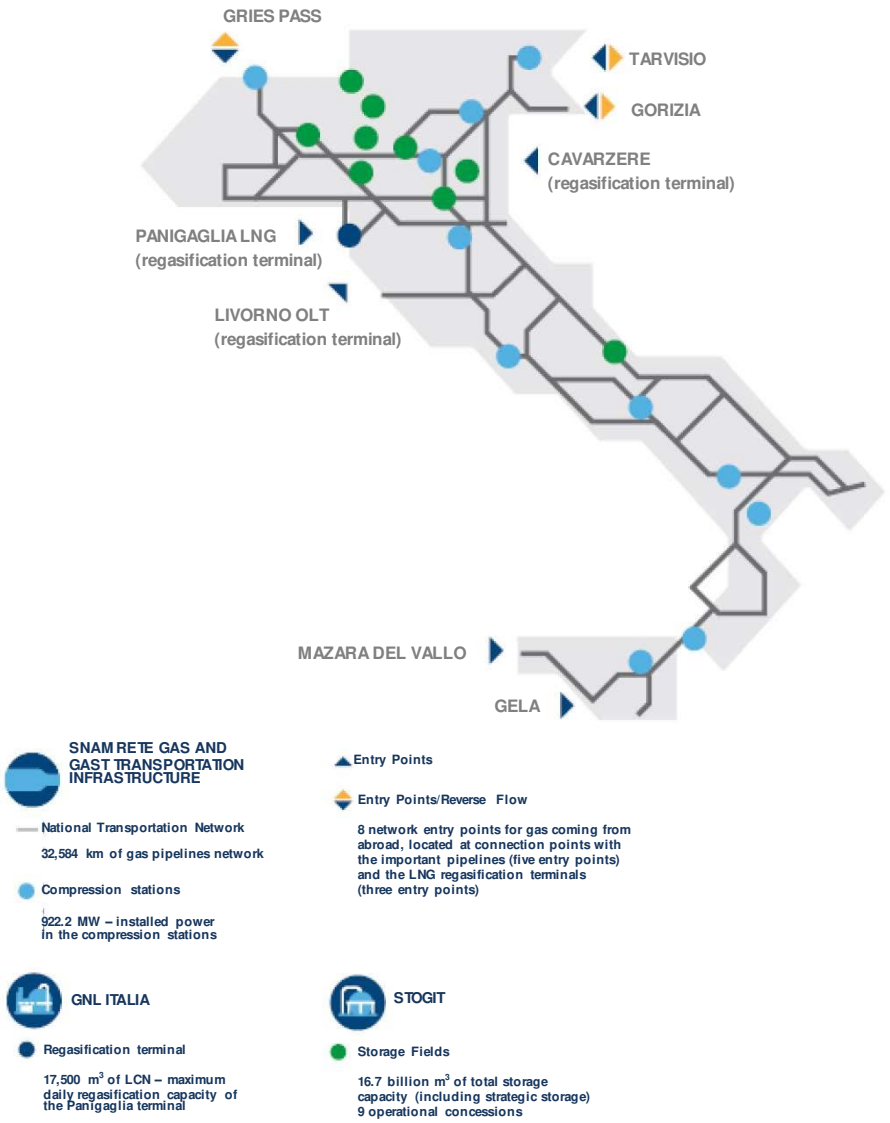
Snam Group Structure Chart



(*) He is one of the members of the Consortium
(**) Company with the headquarter in Argentina

Business Overview

The following map illustrates the Snam Group's operations and infrastructure in Italy.



Business Activities of the Snam Group

TRANSPORTATION

Natural gas transportation is an integrated service providing transportation capacity and the actual transportation of the gas, which is delivered to Snam at the entry points of the Italian gas transmission network[7] and then transported to the redelivery points, where the gas is received by the end-users (or is stored in the storage sites). The natural gas introduced into the national network originates from imports and, to a lesser extent, from domestic production. In particular, the gas from abroad is injected into the national network through eight entry points interconnected to import pipelines (Tarvisio, Gorizia, Gries Pass, Mazara del Vallo, Gela) and the LNG regasification terminals (Panigaglia, Cavarzere, Livorno). Moreover, Tarvisio, Gorizia, Gries Pass together with Bizzarone and San Marino are natural gas exit points interconnected with abroad. The virtual entry/exit points represented by storage gas fields held by each storage operator should also be considered.

Snam, through its subsidiaries Snam Rete Gas and ITG, is the leading natural gas transportation and dispatching operator in Italy and owns almost all of the natural gas transportation infrastructure in Italy. At the end of 2017, Snam Rete Gas and ITG owned over 32,500 kilometres of high and medium pressure gas pipelines (approximately 93% of the entire transportation system in Italy). The transmission system is also composed of 11 compressor stations with total power installed of 922 MW.

The following table shows the extent of the gas transportation system of Snam, through its subsidiaries Snam Rete Gas and ITG, as at 31 December 2017:

	2017
Transportation network (kilometres in use)	32,584
of which national network	9,704
of which regional network	22,880

Snam Rete Gas operates four sea terminals in the Italian regions of Sicily and Calabria that connect undersea pipelines to land pipelines.

The national network also includes additional gas pipelines that transport natural gas to major urban or industrial areas. Natural gas is then transported to industrial and thermoelectric customers and urban distribution networks through Snam's regional network. Snam, through its subsidiaries Snam Rete Gas and ITG, has 19 interconnections and mixing facilities and 565 pressure reduction and regulation facilities that monitor the flow of natural gas within the network and provide connections between pipeline systems operating at different pressure rates.

The dispatching centre of Snam Rete Gas is located in the Italian town of San Donato Milanese, on the outskirts of Milan, and is responsible for monitoring and overseeing the transportation network.

Beside transportation and dispatching, as the major Italian transportation company Snam Rete Gas carries out also other relevant additional activities. In particular, Snam Rete Gas: **(i)** has been in charge of natural gas balancing (*Responsabile del Bilanciamento*) since 2011, in accordance with ARERA Resolution No. ARG/gas 45/2011 of 14 April 2011. With reference to the balancing service, the Italian TSO has also implemented the Network Code on Balancing approved by the European Commission with Regulation (EU) 312/2014, in accordance with ARERA Resolutions 470/2015/R/gas of 7 October 2015 and 312/2016/R/gas of 16 June 2016, and the new regime as implemented in the Snam Rete Gas Network Code has started with the Thermal Year 2016-2017; **(ii)** has a central role in the management of gas emergencies according to the MED and ARERA provisions; **(iii)** has a central role in carrying out the gas measurement services such as metering and meter-reading in accordance with ARERA Resolutions.

7 The list of pipelines forming part of the national network and the related definition criteria are reported in the Letta Decree.

Snam Rete Gas also operates the Virtual Trading Point (*Punto di Scambio Virtuale* or "**PSV**") whose primary aim is to supply the users (Shippers and other traders) with a virtual meeting point of demand and supply where it is possible to make bilateral natural gas transactions on daily basis, with relevant book entries in the energy balance of each user. PSV operative working is regulated by the "*Conditions for using the System to perform exchanges/transfers of gas at the Virtual Trading Poin*t" issued by Snam Rete Gas and approved by ARERA under Resolutions No. 137/2002 and 22/2004. In addition, transactions on Gas Stock Exchanges which operate in the Italian System (Market Platform of the *Gestore dei Mercati Energetici S.p.A*. – GME, and third-party Stock Market Platforms) are recorded on the PSV through GME, which also manages the gas balancing market.

In December 2012, Snam Rete Gas and other leading European operators of the sector agreed to enter into the share capital of PRISMA - European Capacity Platform GmbH[8]. With an initial 19 TSO shareholders, PRISMA has since developed into Europe's leading capacity trading platform with 24 shareholders from nine different EU countries (Italy, Austria, Belgium, Denmark, France, Germany, Slovenia, the Netherlands and United Kingdom) to offer transportation capacity through a single shared electronic platform[9]. There are currently 37 European gas transportation operators connected to the platform, linking the markets of 16 countries in the core of Europe.

Snam Rete Gas is certified by ARERA according to the ownership unbundling model pursuant to art. 9 Directive 2009/73/CE and art. 19 Legislative Decree 93/2011 (see section "*Principal Shareholders*" - "*Ownership Unbundling*" below).

LNG REGASIFICATION

LNG is natural gas in a liquid state which may be transported by tanker or stored in tanks. The process of the extraction of natural gas from the fields, its liquefaction for transport by ship and subsequent regasification for use by end-users, is known as the 'LNG chain' (*Filiera del GNL*). This process begins in the country of the exporter, where the natural gas is brought to the liquid state by cooling it to -160 degrees Celsius and subsequently loaded onto tankers for shipping to the destination terminal, known as the LNG regasification terminal. At the regasification terminal, the LNG is unloaded, then heated and returned to the gaseous state and is injected into the natural gas transportation network.

In Italy, natural gas is also injected into the transportation network from the LNG terminal at Panigaglia in the Italian province of La Spezia in Liguria, which is owned by GNL Italia and regasifies up to 17,500 cubic metres of LNG per day. When operating at maximum capacity this terminal can inject over 3.5 billion cubic metres of natural gas into the transportation network annually.

The regasification service carried out by GNL Italia includes the process of unloading the LNG from tankers, providing storage during the time required for regasifying the LNG and injecting it into the national network at the Panigaglia entry point. LNG regasification services may be provided on a multiannual/annual continuous basis or on a spot basis. Supplementary services are also provided, such as the correction of the natural gas' calorific power, which must be done before the gas is injected into the gas transportation system.

Law Decree (*Decreto Legge*) 179 of 18 October 2012, which was converted with amendments into Law 221 of 17 December 2012, concerning "*Further urgent measures for the growth of the country*", extended the duration of concessions to build and operate the LNG regasification terminals currently in operation.

On September 30, 2015 GNL Italia submitted to the Ministry of Economic Development ("**MISE**"): (i) the formal withdrawal of the application for the "*Modernisation and upgrading plant at Panigaglia*" construction works authorisation, filed on June 19, 2007, and (ii) the will to finalise the application for authorizations for the purposes that take into account the new energy policy guidelines issued by the MISE with the "*Consultation document for a National Strategy of LNG*" (as a result of Directive 2014/94 / EU of the European Parliament) and the related new context.

The MISE, on November 20, 2015, closed the authorisation proceedings for the "*Modernisation and upgrading plant at Panigaglia*" and contextually confirmed the extension of the existing activity.

8 This name, effective from 1 January 2013, replaces Trac-X Transport Capacity Exchange GmbH.

9 In this regard, implementing the EC Regulation 984/2013, the ARERA approved Resolution 137/2014/R/gas and the subsequent changes to the Snam Rete Gas Network Code (Resolution 552/2014/R/gas).

STORAGE

Natural gas is stored in reserves for winter consumption and for peaks in demand triggered by factors such as exceptionally cold weather and any temporary reductions in gas imports.

The natural gas storage business in Italy is operated under a concession regime and it serves to match the differences between demand of gas consumption and supply from imports and domestic production. Imports have a limited variation profile during the year, while gas demand has high seasonal variability with winter demand significantly higher than summer. In Italy, all storage gas reserves are located in depleted gas fields.

There are two distinct phases in storage operations: (i) injection phase, generally concentrated between April and October, consisting of injecting into storage the natural gas deriving from the national transport network; and (ii) the withdrawal phase, usually concentrated between November and March of the following year, when the natural gas is extracted from the storage fields, treated, and redelivered to users by the transportation network. The storage operations are carried out by making use of an integrated infrastructure comprising of gas fields, gas treatment plants, compression plants and the operational dispatching system.

The volume of gas moved in the storage system in 2017 by Stogit was 19,9 billion standard cubic metres. In 2017 Stogit made available 12.2 billion standard cubic metres of mining, modulation and balancing services and retained 4.5 billion standard cubic metres for use as strategic national storage services.

Stogit is the largest natural gas storage operator in Italy, with a total of ten storage sites under a concession regime: five in Lombardy, four in Emilia Romagna and one in Abruzzo. One of such storage sites under concession is currently under development.

The gas storage business of the Issuer is dependent on concessions granted by the MED. Under Law n. 221/2012 (article 34, comma 18) gas storage concessions granted after the entry into force of the Letta Decree last no more than 30 years with a single extension period of ten years. The "20+10+10" year regime set out in art. 1, comma 61 of Law n. 239/2004 applies to gas storage concessions granted before the entry into force of the Letta Decree. The expiry date of each of Stogit's concessions is as follows:

CONCESSION	EXPIRY DATE	DATE ALREADY EXTENDED (IF APPLICABLE)
1. Brugherio (Lombardy)	December 2016	N.A.
2. Cortemaggiore (Emilia Romagna)	December 2016	N.A.
3. Minerbio (Emilia Romagna)	December 2016	N.A.
4. Ripalta (Lombardy)	December 2016	N.A.
5. Sabbioncello (Emilia Romagna)	December 2016	N.A.
6. Sergnano (Lombardy)	December 2016	N.A.
7. Settala (Lombardy)	December 2016	N.A.
8. Fiume Treste (Abruzzo)	June 2012	June 2022 (first extension)
9. Bordolano (Lombardy)	November 2031	N.A.
10. Alfonsine (Emilia Romagna)	December 2016	N.A.

Eight concessions (Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Alfonsine) expired on 31 December 2016. Such concessions will be extended no more than twice, each time for a 10-year period. Accordingly, Stogit promptly submitted an application for extension to the Ministry of Economic Development and the authorisation process is currently pending. Stogit will continue to manage the concessions until completion of the authorisation process pursuant to specific law provisions. The concession on Bordolano is due for extension in 2031 and the concession of Fiume Treste was extended for a ten-year period for the first time in 2011 starting from its expiry date in 2012 and is next due for extension in 2022.

The Issuer's management believes that, pursuant to such legislation, and also taking into account the modifications entered into force under Law n. 221/2012, the Issuer is well positioned to qualify for its concessions to be extended upon expiry.

OTHER ACTIVITIES

Starting from 2017, Snam is also active in the "Sustainable mobility" and "Energy efficiency" sectors. In particular:

1. "**Sustainable mobility**"

   In 2017 Snam established a new company, Snam 4 Mobility, with the aim of promoting the development of g-mobility (*i.e.* sustainable mobility with natural gas), through, *inter alia*, the construction of CNG and LNG service stations in Italy.

   As at the date of this Base Prospectus, Snam 4 Mobility has 45 contracted service stations and the opening of the first CNG refuelling point is scheduled for the second half of 2018 in Pesaro.

   Snam 4 Mobility holds (i) 100% participation in Cubogas, operating in the design, development and production of technological solutions for natural gas fuelling stations for the automotive sector, and (ii) 70% of IES Biogas, one of the leading Italian companies in the design, construction and management of biogas and biomethane production plants; and

2. "**Energy efficiency**"

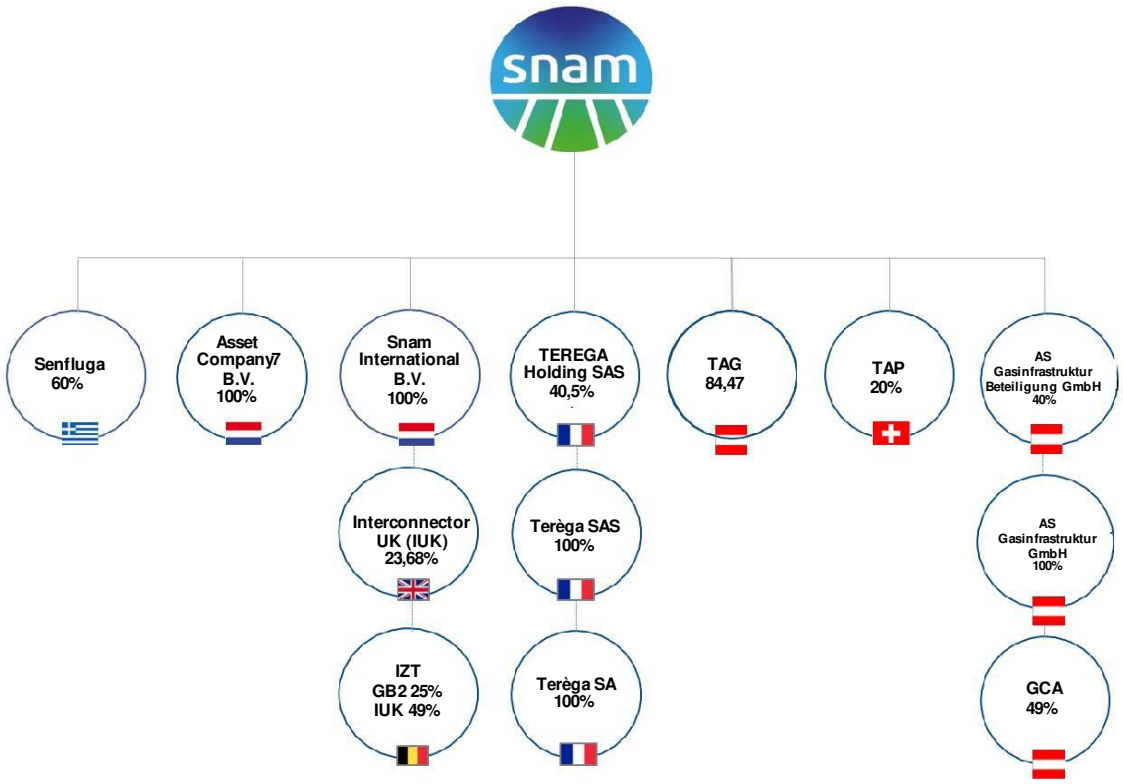
   In 2018 Snam acquired 82% of the Energy Service Company TEP, with more than 200 customers, including leading Italian companies and multinationals.

   TEP's mission is to improve its customers' competitiveness by reducing energy expenditure thanks to energy use optimisation.

   The acquisition of TEP is part of Snam's strategic plans aimed at facilitating decarbonisation and better energy use in the areas where it operates.

   Snam intends to accelerate TEP's growth process, with the support of the company's management, and facilitate the transfer of energy efficiency know-how and technologies from large businesses to small-and medium-sized enterprises and local institutions.

INTERNATIONAL ACTIVITIES



In accordance with the principles of the European Third Energy Package, which promotes the integrated development of infrastructure and common rules for network access in different countries in Europe, and in order to take advantage of the privileged position it enjoys in Europe's gas corridors, Snam has increased its focus on the international scene in recent years.

Snam's growth abroad, which from 2012 saw the company engaged in strategic partnerships and M&A operations, led to the reshaping of its role within the European infrastructure system.

Snam initiatives in the European market aim to promote cross-border flows and to link gas markets especially along the so-called South-North Corridor.

Interconnector UK

With two separate transactions closed in 2012 Snam, together with the Belgian company Fluxys, acquired through their two jointly owned companies (Gasbridge 1 and Gasbridge 2):

(a) an overall 31.5% stake in Interconnector (UK);

(b) 51% of Interconnector Zeebrugge Terminal S.C.R.L.("**IZT**");

(c) 10% of Huberator S.A., a subsidiary of Fluxys - liquidated in 2016 following the transfer to Fluxys, in 2015, of its entire business.

In January 2018 Fluxys and Caisse de Dépôt et Placement du Québec (CDPQ) reached an agreement for the purchase by Fluxys of the 33.5% of Interconnector UK owned by CDPQ. In March 2018, Gasbridge 1 and

Gasbridge 2 (currently, "Snam International B.V.") - both jointly owned by Snam and Fluxys -, exercised their pre-emption right and finalised the acquisition of a 7.93% stake each, so increasing Snam's indirect aggregate stake in Interconnector UK to nearly 24%.

In April 2018, Fluxys and Snam finalised a mutual sale/purchase of the respective shares held in Gasbridge 1 and Gasbridge 2 upon which Snam became the sole owner of Gasbridge 2 and through it of 23.68% of Interconnector UK and 25% of IZT. Gasbridge 2 has been subsequently renamed Snam International B.V..

Interconnector UK owns and operates a 235 km subsea natural gas bidirectional pipeline between Bacton (UK) and Zeebrugge (BE), one receiving terminal and compression station in Bacton, one receiving terminal and a compressor station in Zeebrugge. Interconnector UK links the United Kingdom to Belgium with a maximum capacity of 20 bcm/y from the United Kingdom to Belgium and 25.5 bcm/y from Belgium to the United Kingdom. In 2015, the British Energy Regulator (Ofgem) and the Belgian Energy Regulator (CREG) confirmed the certification of Interconnector UK pursuant to the Ownership Unbundling regime.

TEREGA

In 2013, Snam purchased a 45% stake in the second largest French transport and storage operator, TIGF (now, "TEREGA") (along with the Singapore sovereign investment fund GIC and Electricité de France (EDF), which hold the remaining 35% and 20%, respectively). The transaction was completed on 30 July 2013 following the receipt of all required approvals, including the anti-trust approval from the European Commission. In July 2014, TEREGA obtained from the French Energy Regulator (*CRE - Commission de régulation de l'énergie*) the certification pursuant to the Ownership Unbundling regime.

In 2015, Crédit Agricole Assurances entered into the share capital of TEREGA with a 10% stake. As a result, Snam currently holds 40.5% of the share capital of TEREGA (GIC, EDF and Crédit Agricole Assurances hold the remaining 31.5%, 18% and 10% respectively).

TEREGA is based in Pau, it employs more than 500 people and owns and operates a network of gas pipelines stretching over more than 5,000 km transporting around 15% of the total gas volumes in France. In addition, TEREGA also operates approximately 25% of French storage capacity within 2 aquifer storage facilities for a total storage capacity close to 6 Bcm (working gas 2.7 Bcm). In 2017 a law to regulate storage business became effective in France and in February 2018 the French Regulator CRE defined the key parameters of the regulation; the new regulated regime has been in place with effect from 1st January 2018.

TAG

In December 2014 Snam acquired 84.47% of the share capital of TAG (with economic rights equal to 89.22%).

The remaining 15.53% of the share capital (corresponding to 10.78% of the economic rights) is held by Gas Connect Austria GmbH, an Austrian gas transmission company of the OMV Group.

In September 2015 E-Control confirmed the certification of TAG as an Independent Transmission System Operator.

TAG is based in Vienna and owns and operates the Austrian section of the pipeline that connects Russia to Italy. The pipeline connects Baumgarten, on the Austrian border with Slovakia, with Arnoldstein, on the border with Italy (Tarvisio). It consists of three parallel lines extending approximately 380 km each, 5 compressor stations, and auxiliary plants with an overall length of about 1,140 km. TAG operations are entirely subject to Austrian regulation.

In April 2018, TAG completed a refinancing exercise, through the recourse to debt capital market instruments and banking facilities, resulting in a significant increase in the maturity and the fixed rate portion of its debt and a strong reduction in the interest rate risk.

TAP

In December 2015, Snam completed the acquisition of the 20% interest held by Statoil Holding Netherlands B.V. in the TAP registered in Baar, canton Zug, Switzerland, for an amount of Euro 130 million. Snam also

replaced Statoil in the shareholders' loan granted to TAP (at the date of the acquisition equal to Euro 78 million) and took over all of Statoil's rights and obligations related to the development of the pipeline project.

In addition to Snam, TAP shareholders are BP (20%), Fluxys (19%), Enagas (16%), SOCAR (20%) and Axpo (5%). TAP is constructing and will operate the Trans Adriatic Pipeline, spanning from the Turkey-Greece border to Italy along the South Corridor crossing Greece, Albania and the Adriatic sea, with a view to ensure the arrival in Europe of 10 Bcm/y of Azeri gas via Greece and Albania with the potential expansion to 20 Bcm/y and reverse-flow (5 Bcm).

TAP will be 878 kilometres in length (Greece 550 km; Albania 215 km; Adriatic Sea 105 km; Italy 8 km) starting near Kipoi on the border between Turkey and Greece, where it will connect with the Trans Anatolian Pipeline (TANAP) to connect to the Italian natural gas network. It will use 48-inch (1,200 mm) pipes for pressure of 95 bars (9,500 kPa) on the onshore section and 36-inch (910 mm) pipes for pressure of 145 bars (14,500 kPa) on the offshore section with three compressor stations, one in Greece and one in Albania.

In April 2016 the national regulatory authorities of Albania (ERE), Greece (RAE) and Italy (ARERA) certified TAP on the basis of the independent transmission operator (ITO) model. TAP project has been recognised as a Project of Common Interest (PCI) by the European Commission.

In 2017 Snam, through the *Global Solutions Business Unit*, signed a contract with TAP whereby Snam will provide to TAP services connected to the realisation of the Italian portion of the transport infrastructures.

GCA

In December 2016 Snam, in consortium with Allianz group, acquired 49% of the share capital of Gas Connect Austria GmbH from OMV, the international integrated oil and gas group based in Vienna. The acquisition has been completed by the consortium through a jointly controlled vehicle indirectly owned 40%/60% by Snam and Allianz respectively, which has secured non-recourse financing commitments up to Euro 310,000,000 by a pool of international banks.

The total cash consideration paid by the consortium to OMV is equal to Euro 601,000,000, which include Euro 147,000,000 for the pro-rata reimbursement of the existing shareholder loan through entering into a new shareholder loan with GCA.

The economic effect date of the transaction is 1st January 2016. OMV, which is entitled to keep the full dividend in the amount of Euro 80,000,000 paid by GCA for the financial year 2015, holds the remaining 51% of the share capital of GCA.

GCA is an Austrian Independent Transmission System Operator active in both the transmission and distribution sectors, which operates an 886 km long natural gas high-pressure pipeline grid in Austria and markets transportation capacity to meet domestic natural gas demand and support export to Europe.

On July 2017, Snam and Allianz group finalised the refinancing of GCA's acquisition vehicle, mainly through a long tenor private placement replacing the existing bank-based acquisition financing.

Group captive insurance – Gasrule Insurance DAC

The Board of Directors of Snam held on 12 February 2013 approved the new scheme of insurance programme based on the creation of a captive insurance company based in Ireland.

With a view to ensuring more effective and efficient risk management for the Group, following the authorisation from the Central Bank of Ireland dated 15 July 2014, the captive insurance company Gasrule Insurance DAC ("**Gasrule**") has been in operation since July 2014. The company is headquartered in Dublin and is wholly owned by Snam. The corporate purpose of Gasrule is to cover the Snam Group's industrial risks.

On 10 July 2014, Snam paid a sum of €19,999,999 by way of a capital increase. As at the date of this Base Prospectus, Gasrule's share capital consists of 20,000,000 shares, each with a par value of €1. Following the entry into force of the Irish Companies Act 2014, and in order to comply with the provisions set forth therein, on 23 March 2016 Gasrule has been re-registered as Gasrule Insurance Designated Activity Company (DAC).

Key Operating Figures

The table below provides some key operating figures for the Snam Group's business at as 31 December 2016 and 31 December 2017:

	2016	2017	Change	Change (%)
Natural gas transportation [(a)]				
Natural gas injected into the national gas transportation network (billions of cubic metres) [(b)]	**70.64**	**74.59**	3.95	5.6
Transportation network (kilometres in use) [(c)]	**32,508**	**32,584**	(76)	(0.2)
Liquefied Natural Gas (LNG) regasification [(a)]				
LNG regasification (billions of cubic metres)	**0.21**	**0.63**	0.42	
Allocated Capacity (million of cubic meters of liquid)	**394**	**1,223**	829	
Natural gas storage [(a)]				
Available storage capacity (billions of cubic metres) [(d)]	**12.0**	**12.2**	0.2	1.7
Natural gas moved through the storage system (billions of cubic metres)	**20.00**	**19.92**	(0.08)	(0.4)
Employees in service at year end (number) [(e) (f)]	**2,883**	**2,919**	36	1.2
by business segments:				
– Transportation	**1,726**	**1,972**	246	14.3
– Regasification	**71**	**63**	(8)	(11.3)
– Storage	**301**	**60**	(241)	(80.1)
– Corporate and other activities	**785**	**824**	39	5.0

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Notes

(a) With reference to the 2017 financial year, gas volumes are expressed in Standard cubic metres (Smc) with an Average Calorific Value (ACV) of 38.1 MJ/Smc (10.572 Kwh/Smc) for transport and regasification and 39.4 MJ/Smc (10.930 Kwh/Smc) for the storage of natural gas for the thermal year 2017-2018 (39.3 MJ/Smc, 10.906 Kwh/Smc, for the thermal year 2016-2017).

(b) The data for 2017 was updated at 11 January 2018.The update of 2016 figures has been finalised, and the figures are consistent with those published by the Ministry of Economic Development.

(c) The figure for 2017 includes 84 Km of the network of the company Infrastrutture Trasporto Gas, fully consolidated starting from the month of October 2017.

(d) Working gas capacity for modulation, mining and balancing services, almost entirely allocated in the thermal year 2017-2018.

(e) Fully consolidated companies.

(f) The increase of 36 staff members is essentially due to the entry of 27 persons following the entry of Infrastrutture Trasporto Gas into the consolidation area starting from the month of October 2017. The movement of resources between the various companies in the Group is also affected by the adaptation of the organisational structures, initiated by Snam in November 2016, with the aim of simplifying and optimising certain processes.

Employees

As at 31 December 2017, the Snam Group had 2,919 employees. The tables below show the number of personnel employed in each contractual position, the number employed by each company and by each Business Unit:

Personnel in service by position (number)	**2016**	**2017**	**Change**
Executives	87	93	6
Managers	421	456	35
Office workers	1,651	1,655	4
Manual workers	724	715	(9)
	2,883	**2,919**	**36**

Personnel in service by Company	**2016**	**2017**	**Change**
Snam Rete Gas	1,726	1,946	220
GNL Italia	71	63	(8)
Stogit	301	60	(241)
Infrastrutture Trasporto Gas		26	26
Snam (*)	785	824	39
	2,883	**2,919**	**36**

Personnel in service by Business Unit	**2016**	**2017**	**Change**
BU Industrial Assets (**)	2,236	2,229	(7)
BU International Assets	17	17	-
BU Commercial, Regulation and Development	110	143	33
BU Global Solutions		6	6
Staff	520	524	4
	2,883	**2,919**	**36**

(*) Includes personnel in service at Gasrule Insurance DAC.

(**) Includes personnel in service at Infrastrutture Trasporto Gas.

Research and Development

Through its subsidiaries, Snam is involved in some particularly interesting and innovative activities aimed at ensuring the increasing reliability in the management of its activities.

Snam is a member of GERG (European Gas Research Group, www.gerg.info), through which it can share research and innovation projects and establish synergies with other European transporters and distributors of natural gas. In particular, it is involved in a project for the evaluation of methods used at international level for estimating natural gas emissions. Snam is also a member of the EPRG (European Pipeline Research Group, www.eprg.net), an association that researches pipeline-related topics and counts Europe's biggest gas transportation and pipeline manufacturing companies among its members. Within this framework, projects (divided into three broad areas: Design, Materials and Corrosion) are in place to continually improve expertise in managing the integrity of methane pipelines throughout their life cycle. Currently, the projects of key interest for Snam concern: (i) the study of a new model for evaluating the integrity of pipelines subjected to mechanical damage and its correlation with the most recent tools for the detection and measurements of damages in operating pipeline and (ii) the acceptability of girth weld defects based on actual defect shapes and interaction coming from last generation NDT (Non Destructive Testing).

Two trigeneration systems will be built at the compression stations in Gallese and Istrana, whose entry into service is respectively expected in 2019 and 2020. These systems allow self-production of electrical energy from heat recovery plants to support thermal utilities and station cooling. The systems are listed as high efficiency cogeneration plants.

In 2017, Snam concluded the "Gas Transportation Network Asset Maintenance System" project ("*Sistema Manutenzione Asset Rete Trasporto Gas SMART GAS*" project), which provides in particular for a complete overhaul of work processes and rules relating to the transportation network and the remote control and metering facilities. In 2018 this system was applied also to the compression stations and to the storage plants. Now this system is managed with a view to continuous improvement.

In 2017 a project for upgrading the field devices for remote control of the gas network started, leveraging on the new remote control network which is in the completion phase. Further developments are under study to increase the "intelligence" and automation of the gas network.

Financing

In the second half of 2017 and the first three quarters of 2018, the optimisation of the group's financial structure continued, with a view to making it fit better with business requirements in terms of debt duration and exposure to interest rates, reducing the overall cost of borrowing at the same time.

In October 2017, Snam successfully completed a buyback on the market of bonds with a total nominal value of €607 million, with an average coupon of approximately 2.5% and a remaining maturity of approximately 4.4 years. The repurchase price totalling €656 million was largely financed through a fixed rate bond issue, expiring on October 2027, for a total amount of €650 million, with a coupon equal to 1.375% and a maturity of 10 years.

In December 2017 Snam extended by two years the term of the pool banking facilities of €3.2 billion, also achieving a margin reduction. Furthermore, in August 2018 Snam extended such maturity by another year. The two pool banking facilities, amounting to €2.0 billion and €1.2 billion, shall expire in 2022 and 2023, respectively.

As regards the first three quarters of 2018, Snam tapped again the debt capital markets:

- in January 2018, by issuing a €350 million floating rate note, with a maturity of 2 years, as part of Snam's treasury management optimisation strategy, exploiting strong market appetite for short term floating rate note issuances; and
- in September 2018, via a €600 million public issuance related to a 5 year fixed rate bond, with a coupon of 1%, leveraging on a favourable market window.

In relation to the banking facilities, in addition to the extension of the maturity of the pool banking facilities, in July 2018 Snam increased the size of the outstanding bilateral credit lines by approximately €400 million at a very competitive cost, also extending the average life maturity from approximately 1.5 to 3 years.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs.

Share Buyback Program

The Ordinary Shareholder Meeting of Snam held on 24 April 2018 resolved to authorise after revocation of the authorisation for the purchase of treasury shares granted by the Ordinary Shareholder Meeting of 11 April 2017, for any part not yet implemented - the purchase of treasury shares, to be made in one or more tranches, over a maximum period of 18 months, with a maximum disbursement of 500 million euro, and in any case up to a maximum of 134,564,883 shares, without exceeding 6.50% of the share capital subscribed and freed up (taking into account the treasury shares already held by the Issuer).

The Extraordinary Shareholder Meeting, held on the same day, approved the cancellation of 31,599,715 treasury shares with no par value, without reduction of the share capital, and the consequent amendment of art. 5.1 of Snam's by-laws. As a consequence, after the execution of the resolution on 7 May 2018, Snam's share capital is €2,735,670,475.56 divided into 3,469,038,579 shares with no indication of nominal value.

Pursuant to the resolution of the Shareholders' Meeting of 24 April 2018, on 18 June 2018 Snam started a share buyback program by signing an enhanced buyback agreement, as subsequently amended, in which context Snam acquired 41,323,755 shares for an aggregate amount of approximately €150 million.

On 2 October 2018 Snam announced the continuation of the share buyback and signed a new enhanced buyback agreement, with a maximum maturity set at 20 December 2018.

Since 2 October 2018, Snam has acquired 17,780,963 shares for an aggregate amount of approximately €65 million.

Taking into consideration the treasury shares already held, as of 25 October 2018 Snam holds no. 150,027,343 shares equal to 4.325% of the share capital.

Enterprise Risk Management

The Snam Group, in line with the indications of the Code of Corporate Governance and international best practices, has instituted, under the direct supervision of the General Counsel, the Enterprise Risk Management (**ERM**) unit, in order to manage the integrated management process of corporate risks for all Group companies.

The main objectives of ERM are to define a risk assessment model that allows risks to be identified, using standardised, group-wide policies, which are then prioritised, to provide consolidated measures to mitigate these risks, and to draw up a reporting system.

The ERM unit operates as part of the wider Internal Control and Risk Management System of Snam.

Snam has always known and managed its risks, although through ERM it has chosen to adopt a structured, standardised method of identifying, assessing, managing and controlling risks for all Group companies.

The ERM model enables dynamic and integrated group-wide risk assessment that bring out the best of the existing management systems in individual corporate processes.

The findings, in terms of the main risks and the plans devised to manage them, are presented to the Control, Risk and Related Parties Transaction Committee so that an assessment can be carried out on the effectiveness of the Internal Control and Risk Management System with regard to Snam's specific characteristics and the risk profile it has taken on.

Acquisition of Stogit – Earn-out provisions

In June 2009, Snam bought from Eni the entire share capital of Stogit. The price determined for the acquisition of Stogit is subject to adjustment mechanisms agreed between the parties at the time of the acquisition.

The acquisition agreement also provides for hedging mechanisms to keep the risks and/or benefits that may derive from the following pertaining to Eni: (i) the possible exploitation of the gas owned by Stogit at the time of the transfer of the shares other than that recognised by the ARERA in the case of its sale, or partial sale, if certain quantities were to become no longer instrumental to the regulated concessions and therefore available for sale; (ii) the possible sale of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held by Stogit at the time of the share transfer that may become dedicated mainly to storage activities which are no longer regulated.

Recent Corporate Activity

DESFA

In April 2018, a consortium (the "**Consortium**") in which Snam holds a 60% stake was identified within the privatisation process as the preferred bidder for the acquisition of the 66% stake in the Greek TSO, DESFA.

On 20 July 2018, the Consortium signed the agreements with the Hellenic Republic Asset Development Fund ("**HRADF**") and Hellenic Petroleum for the acquisition of the stake in DESFA.

These agreements were signed following the authorisations received by the European Commission and the Hellenic Court of Audit.

The completion of the transaction, expected by the end of 2018, is subject to, *inter alia*, the finalisation of the internal reorganisation aimed at HRADF and Hellenic Petroleum becoming direct shareholders of DESFA – which is currently held through DEPA – and to the definitive certification of DESFA under the ownership unbundling regime by the Greek regulator RAE.

Snam holds 60% and Enagas and Fluxys 20% each of the share capital of the holding company SENFLUGA, which will hold a 66% stake in DESFA upon completion of the transaction; the resulting indirect shareholdings in DESFA will therefore be 39.6% (Snam) and 13.2% (Enagas & Fluxys each). The rest of DESFA shares will be held by the Greek state (34%).

DESFA owns and operates on a fully regulated basis:

- a gas transmission network in Greece constituted of transmission branches with a total length of circa 1.500km extending from the main transmission pipeline and supplying natural gas to the regions of Eastern Macedonia, Thrace, Thessaloniki, Platy, Volos, Trikala, Oinofyta, Antikyra, Aliveri, Korinthos, Megalopoli, Thisvi and Attica; and
- the LNG Regasification Terminal "Revithoussa" that is directly connected to the Hellenic gas transmission system.

Investment in the Italian Region of Sardinia

In 2018 Snam and Società Gasdotti Italia S.p.A. (**SGI**) have finalised an agreement for the possible joint implementation of the gas transport infrastructure in the Italian region of Sardinia, upon obtaining the necessary authorisations following the current procedure with the competent national and regional authorities and the antitrust clearance.

Material Litigation

The Snam Group is currently party to a number of civil, administration, criminal and tax, claims and legal actions that have arisen in the ordinary course of its business. Applicable accounting principles identify two different types of legal proceedings which have different ways to set aside provisions.

According to the procedure known as "Accounting Provision for risks and charge" ("*Accantonamento ai fondi per rischi ed oneri*"), the relevant legal proceedings are those in which counterparties and/or third party claims

are equal to or in excess of €250,000 and/or may produce material adverse effects on the Snam Group's image and/or reputation (the "**Relevant Proceedings**"). As a consequence, legal proceedings that do not comply with such requirements are considered not relevant (the "**Non-Relevant Proceedings**").

The accounting provision is calculated by aggregating the values of the liabilities that may arise in the event of a negative outcome of a Relevant Proceeding. It is usually carried out when the unfavourable outcome of the relative proceeding has a probability of occurrence greater than 50% and the burden's amount can be estimated reliably. Instead, as regard the Non-Relevant Proceedings, the accounting provision is based on a lump sum of €25,000 that should be multiplied by the number of the Non-Relevant Proceedings up to a maximum total of €10 million for Snam Rete Gas and €5 million for each other Subsidiary.

As at 31 December 2017, the provision for litigation in relation to the whole Snam Group amounted to €16 million. In making such provision, the Board of Directors has taken into account the potential risks relating to each claim and the applicable accounting standards on probable and quantifiable risks. The most relevant claims and proceedings are summarised below, together with an indication of the total amount claimed, if known. See "*Risk Factors - Legal Proceedings*".

Criminal Proceedings

Snam Rete Gas – Investigations by the public prosecutor into gas measurement

The Public Prosecutor of the Court of Milan in 2006 initiated a criminal investigation into gas measurement and the lawfulness and reliability of the gas measuring systems known as *venturimetrici*, involving various companies in the gas sector.

The investigation also involved Snam Rete Gas and some of its directors.

At the outcome of the preliminary hearing held on 24 January 2012, the preliminary hearing judge (*G.U.P.*) did not find the existence of facts to support the case and acquitted the Issuer and Snam Rete Gas (or former Snam Rete Gas) employees/managers with regard to all counts which where the subject of this dispute. The public prosecutor has filed for an appeal before the Court of Cassation. The appeal relates to only some of the acquitted defendants.

The Court of Cassation partially upheld the appeal proposed by the public prosecutor of the Court of Milan rejecting the largest part of the appeal. In respect of a few issues the Court decided to refer them to be examined by the competent Court. On 12 December 2013 a new preliminary hearing was initiated. As a result, on 24 January 2014 the G.U.P. ordered the commitment for trial for the years 2006 and 2007. Such trial of first instance commenced on 18 April 2014 and ended on 27 March 2015 when the Court of Milan discharged the indicted persons of the alleged offences because the fact did not occur and it does not constitute a crime. The Public Prosecutor of the Court of Milan on 24 April 2015 has appealed the judgment.

Tresana Event

The Public Prosecutor of the Court of Massa has opened an investigation in relation to an event which occurred on 18 January 2012 in the territory of the Municipality of Tresana (Massa). More specifically, it relates to a gas explosion occurred on the La Spezia-Cortemaggiore pipeline (Tresana), during some maintenance work on the pipe (carried out by a subcontracting company). The trial began on 23 June 2015. At the hearing of 15 September 2017, the Court of Massa discharged the indicted persons of the alleged offences, because the fact did not occur. The Public Prosecutor of the Court of Massa on 12 January 2018 appealed the judgement. The first hearing is fixed on 12 December 2018, before the Court of Appeal of Genova.

Pineto Event

The Public Prosecutor of the Court of Teramo has opened an investigation in relation to the incident that occurred on 6 March 2015 near the town of Pineto (Teramo), concerning a gas leak in a section of the pipeline. After the conclusion of preliminary investigations, the GUP (*i.e.* the preliminary hearing judge) at the preliminary hearing ordered the committal for trial of some current and former employees and managers. The first hearing is fixed on 10 January 2019.

Sestino Event

The Public Prosecutor of the Court of Arezzo has opened an investigation against some present and former managers of Snam Rete Gas in relation to the incident that occurred on 19 November 2015 in the territory of the Municipality of Sestino (Arezzo), concerning a gas leak in a section of the pipeline. The reasons for the leak and subsequent fire are being verified. Snam Rete Gas is actively cooperating with the relevant authorities.

Badia Tedalda (AR) Proceeding

The Public Prosecutor of the Court of Arezzo has opened an investigation against a former manager of Snam Rete Gas in relation to an alleged violation of the environmental law committed during the execution of some works on the pipeline in the Municipality of Badia Tedalda (AR). On 9 March 2018 the Court of Arezzo discharged the former manager of the alleged offences. The proceeding is concluded and the court's ruling has become final.

ARERA Proceedings

A number of preliminary investigations (*istruttorie*) are currently being carried out by the ARERA with respect to different matters involving the Snam Group's business activity.

By resolution 853/2017/S/gas of 14 December 2017, the ARERA sanctioned Snam Rete Gas for an amount of 92.500 Euro; the company paid such amount and also challenged this Resolution. Such decision is related to Resolution No. 9/2014/S/gas, with which the Authority decided to start a proceeding against Snam Rete Gas in connection with an alleged delay in the fulfilment of its obligations connected with the implementation of some amendments to the Network Code established by Resolution No. 292/2013/R/gas.

By resolution 206/2018/S/gas of 5 April 2018, the ARERA sanctioned Snam Rete Gas for an amount of 880,000 Euro; the company paid such amount and also challenged this Resolution. Such decision is related to the Resolution VIS/97 of 2011, with which the Authority decided to start a proceeding against Snam Rete Gas with reference to the gas measurement at 45 delivery points and, specifically, the improper use of a forfeit measurement criterion. In 2017, the company had conservatively estimated an accounting provision that covers much of the fine amount according to the relevant accounting procedure.

By determination DSAI/69/2017/gas of 10 November 2017, the ARERA started a proceeding against Snam Rete Gas in relation to minimal objections concerning the management of the reporting process of the surveillance activities on the network. Snam RG has announced that it has already taken steps to overcome the critical issues highlighted by NRA. In the course of the proceeding, the ARERA will check if the actions of Snam Rete Gas have involved the overcoming of the objections.

By resolution No. 250/2015/R/gas, published on 1 June 2015, the Authority established an implementation plan for the provisions introduced by Resolution No. 602/2013/R/gas concerning the odorisation of the natural gas delivered by Snam Rete Gas to directly connected final customers having a domestic use of gas (or a similar one). Snam Rete Gas challenged the Resolution before the competent Administrative Court (TAR Lombardia-Milano) with reference to the deadline requested for the completion of the works. Such a deadline was confirmed by the Authority with Resolution No. 484/2016/E/gas, which was also challenged by Snam Rete Gas before TAR Lombardia-Milano on this particular point. On 24 January 2017 the competent Administrative Court (*Consiglio di Stato*) accepted the request by Snam Rete Gas for the deadline set by the Authority to be suspended. Snam Rete Gas awaits the hearing and final judgement by TAR Lombardia-Milano. Recently, the Ministry of Economic Development issued a ministerial decree on 18 May 2018 assigning: (i) the responsibility of the odorization directly to the final user, and (ii) a role of control and possible support to the transmission operator (*i.e.* Snam Rete Gas).

Recent developments in regulatory matters and related material proceedings

Balancing – Snam Rete Gas

With effect from 1 December 2011, natural gas balancing activities became operational pursuant to ARERA Resolution ARG/gas 45/11, which made Snam Rete Gas, as the major transmission system operator (TSO), the Balancing Operator (*Responsabile del Bilanciamento*). This role requires Snam Rete Gas to procure the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Energy Market Operator, and to financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the 'principle of economic merit').

Pursuant to Regulation EU n. 312/2014, a new balancing regime was established and implemented by Snam Rete Gas.

Under the new regime, which became effective from October 2016, pursuant to ARERA resolution 312/2016/R/gas users are responsible for balancing their own balancing portfolios on the basis of certain information provided by Snam Rete Gas in order to minimise TSO balancing actions. The Balancing Operator has an ancillary role and, if necessary, carries out gas buying/selling market actions on the M-gas platform managed by GME in order to encourage network users to balance their balancing portfolios efficiently. Furthermore, an economic incentives mechanism is introduced by NRA to evaluate the Balancing Operator performance. (See also "*Principal legislation of the issuer's regulated business areas – 1. Transportation and dispatching*"). The new balancing regulation confirms (i) specific clauses guaranteeing the neutrality of the Balancing Operator and (ii) the *Cassa Conguaglio Settore Elettrico* (Electricity Equalisation Fund – now *Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation Fund*) as the entity ultimately responsible for paying to the Balancing Operator (*i.e.* Snam Rete Gas) any sums not collected from users.

Specifically, the initial regulation laid down by the ARERA with Resolution ARG/gas 155/11 stated that users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the ARERA. This Resolution, with reference to the income statement items pertaining to the balancing system, stipulated that the Balancing Operator would receive from the Electricity Equalisation Fund the value of receivables unpaid by the end of the month following the month in which notification was given (such notification to be given by the Balancing Operator to the Electricity Equalisation Fund after four months from the expiry of unpaid invoices).

In light of the fact that the regional administrative court of Lombardy (TAR) provisionally voided this system of guarantees for the period between 1 December 2011 and 31 May 2012[10], some users sold huge quantities of gas and obtained their supplies from the balancing market, failing to pay due amounts and therefore building up a significant debt to Snam Rete Gas which reached around €400 million during the year.

With Resolution 282/2012/R/gas, published on 6 July 2012, the ARERA began an explorative investigation into the methods of provision of the balancing service between 1 December 2011 and 31 May 2012, due for completion within 120 days of the start of the investigation. With Resolution 444/2012/R/gas, the ARERA extended this period to 23 October 2012 and extended the investigation by 60 days.

With Resolution 351/2012/R/gas of 3 August 2012, the ARERA changed the rules regarding the repayment terms established in Resolution 155/11. Specifically, Resolution 351/2012/R/gas defined the methods for recovering receivables pertaining to the balancing system in the period from 1 December 2011 to 31 May 2012, ordering payment in instalments over a minimum of 36 months and with a maximum monthly payment of €6 million, providing also for recognition of the interest accrued in favour of Snam Rete Gas, for which settlement will occur after the nominal amount of the receivables has been paid. In 2012, the Electricity Equalisation Fund paid Snam Rete Gas a total of €13 million. The Resolution 351/2012/R/gas has been withdrawn by the Judicial Authority in the part in which it establishes the obligation for the Shippers to pay as from 1 October 2012 a fee (namely CVBL) in the amount of 0.001 Euro/Smc. Moreover, with the subsequent Resolution 372/2014/R/gas, the coefficient was adjusted in the same amount of €0.001/SCM. In any event the judgment does not affect the principles stated in Resolution 45/11 and 155/11 of neutrality of the Balancing

10 The guarantees were reintroduced by ARERA Resolution 181/2012/R/gas, with effect from 1 June 2012.

Operator and that the unpaid receivables are to be refunded to the Balancing Operator by the Electricity Equalisation Fund.

In December 2012, Snam Rete Gas sold on a non-recourse notification basis its receivable from the Electricity Equalisation Fund arising from coverage of user balancing service costs, pursuant to Resolution 351/2012/R/gas of 3 August 2012, for a nominal amount of €300 million, which refers only to the principal.

Snam Rete Gas has initiated all actions necessary for the recovery of receivables relating to income statement items pertaining to the balancing system. Snam Rete Gas has also initiated legal proceedings to recover receivables from users in arrears after having terminated the relevant transportation contracts due to non-payment.

Specifically, the competent judicial authorities issued 11 provisional executive orders (*decreti ingiuntivi provvisoriamente esecutivi*), of which six related to receivables arising from the balancing service and five related to receivables arising from the transportation service. Therefore, Snam Rete Gas initiated the necessary executive proceedings, which resulted in the recovery of negligible amounts of the overall debt of the users, partly because of the bankruptcy procedures under way at some of these users[11].

With Resolution 145/2013/R/gas, published on 19 April 2013, the ARERA started the proceeding in order to determine the final amount of unpaid credits related to the balancing service for the period December 2011-October 2012, to be recognised to Snam Rete Gas taking into account, among other things the findings of the review carried out by the ARERA and concluded on April 2013 (with Resolution 144/2013/R/gas, published on 18 April 2013)[12]. On 20 April 2015 the final hearing before the Commissioners of the ARERA took place.

With Resolution No. 258/2013/R/gas, published on 13 June 2013, the ARERA has decided, pending the proceedings started with Resolution No. 145/2013/E/gas for the determination of the final amount to be recognised to Snam Rete Gas, to suspend the monthly payment by the Electricity Equalisation Fund established under Resolution No. 351/2012/R/gas, up to an amount equal to the payments already made by Electricity Equalisation Fund, with reference to the outstanding amounts for the balancing service related to one of the Users. At the end of June 2013, Snam Rete Gas has paid back to the Electricity Equalisation Fund the amount related to such User. By means of Resolution No. 608/2015/R/gas, published on 17 December 2015, the Authority closed the proceedings launched by means of Resolution No. 145/2013/R/gas regarding the portion of charges to be paid to the Balancing Operator (Snam Rete Gas) with respect to uncollected receivables relating to income statement items from balancing operations arising from 1 December 2011 to 23 October 2012. By means of such Resolution, the Authority ruled that: (i) it would not recognise the portion of uncollected receivables in relation to the specific situations covered by the preliminary investigation in an amount totalling approximately €130 million including VAT; and (ii) it would recognise the right of Snam Rete Gas to retain any receivables already recovered as a result of legal actions taken against shippers, to the extent these corresponded to amounts not paid. In addition, the Authority acknowledged the right of Snam Rete Gas to receive the remaining uncollected receivables for the aforesaid period. Since the Company believes that the prerequisites were met for recognising the portion of charges that resulted from the uncollected receivables (which was the subject of the aforesaid proceedings), it challenged Resolution No. 608/2015/R/gas before the competent Administrative Court of Lombardia (TAR Lombardia). By judgment 942/2017 TAR Lombardia partially accepted Snam Rete Gas' grounds of complaint by acknowledging the right for Snam Rete Gas to receive from the Authority €40 million out of the €130 million at stake. Such judgment has been challenged by both parties.

Strategic gas withdrawals – Stogit

In connection with withdrawals by Stogit's users of strategic gas that was not subsequently replenished by said users within the timeframe provided for by the Storage Code or subsequently, Stogit has carried out a number of actions against said users since 2011, including judicial proceedings. Specifically, in order to recover the sums owed to it, Stogit has requested and obtained several provisional executive orders (decreti ingiuntivi provvisoriamente esecutivi), brought legal proceedings aimed at obtaining an order for payment and initiated summary proceedings for the replenishment of the gas withdrawn. This measure could not be pursued

11 Five users have been declared bankrupt and Snam Rete Gas has been included in the list of creditors for the full credit claimed. Furthermore, the other user is party to a proceeding for an arrangement with creditors ("*concordato preventivo*"), which are pending.

12 In parallel, the ARERA has started sanctioning proceedings against the six debtors all of which have led to sanctions against Users.

due to the activation of insolvency procedures ("*concordato preventivo*" and/or bankruptcy *i.e.* "*fallimento*"). Stogit asked that its credits be recognised ("*ammissione dei crediti al passivo fallimentare*") and was subsequently included in the list of creditors for the full credit claimed.

Principal Shareholders

As at the date of this Base Prospectus, Snam's fully subscribed and paid-up share capital is €2,735,670,475.56 divided into 3,469,038,579 ordinary shares with no indication of nominal value. As at the date of this Base Prospectus, there are no other classes of shares in issue.

Snam's shares are listed on the MTA (*mercato telematico azionario*) division of the Borsa Italiana.

As at the date of this Base Prospectus on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, CDP is the main shareholder of Snam, with an overall 30.374% stake of the ordinary share capital owned by CDP Reti S.p.A. (1,053,692,127 shares).

Minozzi Romano is the second largest shareholder of Snam, with an overall 5.91% stake of the ordinary share capital (205,025,183 shares), held through a 2.969% stake directly owned (103,001,219 shares), a 2.179% stake owned by Iris Ceramica Group S.p.A. (75,581,052 shares), a 0.487% stake owned by GranitiFiandre S.p.A. (16,884,190 shares) and a 0.276% stake owned by Finanziaria Ceramica Castellarano S.p.A. (9,558,722 shares).

Lazard Asset Management LLC is the third largest shareholder of Snam, with a stake equal to 4.952% of the ordinary share capital (171,791,488 shares).

BlackRock is the fourth largest shareholder of Snam, with a stake equal to 4.889% of the ordinary share capital (corresponding to no. 169,584,480 shares with voting rights).

Snam holds 150,027,343 of its own shares (*azioni proprie*) equal to 4.325% of its share capital. The remaining 49.550% (free float) is held by other shareholders, of which 40.360% are institutional investors (1,400,099,489 shares) and 8.656% are retail investors (300,287,993 shares).

As at the date of this Base Prospectus, based on information in Snam's shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, only CDP, Minozzi Romano, Lazard Asset Management LLC, BlackRock and Snam own, directly or indirectly, interests in excess of 3% of Snam's ordinary shares.

The table below provides a breakdown of shareholdings in Snam as at the date of this Base Prospectus:

Declarant	***Direct Shareholder***	***Shareholding (%)***
CDP	*CDP Reti S.p.A.*	*30.374*
MINOZZI ROMANO	*Minozzi Romano*	*2.969*
	Iris Ceramica Group S.p.A.	*2.179*
	GranitiFiandre S.p.A.	*0.487*
	Finanziaria Ceramica Castellarano S.p.A.	*0.276*
Lazard Asset Management LLC	*Lazard Asset Management LLC*	*4.952*
BlackRock		*4.889*
Snam	*Snam*	*4.325*
Other shareholders		*49.550*
		100.000

Brief description of the main shareholder

CDP is a limited liability company (*società per azioni*) controlled by the Italian Ministry of the Economy and Finance, which holds 82.77% of the corporate capital of CDP. A broad group of bank foundations holds 15.93% of the corporate capital of CDP and the remaining shares (equal to 1.3%) are represented by own shares held by CDP. CDP's objective is to bolster the development of public investment, local utility infrastructure works and major public works of national interest.

CDP Reti S.p.A.

As at the date of this Base Prospectus, CDP Reti S.p.A. holds 30.374% of the ordinary shares of Snam.

CDP Reti S.p.A. is a limited liability company (*società per azioni*) incorporated under the laws of the Republic of Italy and is 35% owned by State Grid Europe Limited, 5.9% owned by Italian institutional investors and 59.1% owned by CDP.

On 25 and 31 March 2015, CDP notified Snam that "*pursuant to international accounting standard IFRS 10 - Consolidated Financial Statements, the requirement has arisen for CDP to fully consolidate Snam S.p.A. as of the financial statements as at 31 December 2014, compared with 31 December 2013*".

With reference to the consolidation of Snam, in CDP's 2014 Annual Report, CDP specifies that, based on the evaluation of certain elements, "*there was deemed to be sufficient evidence of the existence of de facto control, in accordance with IFRS 10*".

As at the date of this Base Prospectus, Snam is not subject to management and co-ordination pursuant to article 2497 and subsequent provisions of the Italian Civil Code.

Measures in place to ensure major shareholder control is not abused

Snam has adopted a guideline for transactions with related parties issued in compliance with the provisions of Article 2391-*bis* of Italian Civil Code and CONSOB Resolution No. 17221/2010; such guideline establishes the principles and rules to which Snam and its subsidiaries must adhere in order to ensure transparency and substantial and procedural fairness of related parties transactions. See "*Corporate Governance of Snam – Related Party Transactions*".

Special powers of the Italian Government

Decree-Law No. 21 of 15 March 2012, converted into law with Law No. 56 of 11 May 2012, contains rules concerning special powers on corporate ownership in the defence and national security sector and activities of strategic importance in energy, transportation and communication sectors. The Decree-Law affects regulation of the so-called special powers, by re-writing conditions and modalities of exercise of the State's special powers for privatised companies, in order to adapt national regulation to the rules provided by Treaty on the Functioning of the European Union.

In the energy sector, Decree-Law No. 21 of 15 March 2012 confers to the Government: (i) a power of veto in relation to resolutions, actions or operations adopted by companies that own strategic assets in the energy sector, which involve a loss of control or availability of the assets as well as the change of their destination; and (ii) a power to impose certain duties or to oppose the acquisition by non-EU persons of controlling interests in said companies.

Pursuant to Decree-Law No. 21 of 15 March 2012, Snam is required to issue notification in the event of changes to the ownership, control, availability or purpose of networks, plants, assets and relations of strategic importance to the national interest ("**Significant Assets**")[13]. This notification must be made by the Issuer to

13 Article 2 of Decree-Law 21/2012 provides for the identification of assets considered significant to national interest in the energy, transport and communication sectors to take place through one or more regulations adopted by Presidential Decree. On 6 June 2014, the Official Gazette published the two decrees implementing Article 2, paragraph 9 of Decree-Law 21/2012, as approved by the Council of Ministers on 14 March 2014, which identify: (i) assets of strategic importance in the energy, transport and

the Prime Minister within 10 days, and in any case no later than the implementation of the resolution, deed or transaction that affects the Significant Assets. Resolutions passed by the Shareholders' Meeting or the management bodies concerning the transfer of Subsidiaries that hold the aforementioned Significant Assets must be reported within the same timeframe. Within 15 days of the notification, the Prime Minister may, by issuing a decree adopted pursuant to a resolution of the Council of Ministers: (i) declare a veto; (ii) impose specific provisions or conditions, if this is sufficient to ensure the protection of the public interest.

If 15 days have passed since the notification and the Prime Minister has not adopted any measures, the transaction may be carried out.

In accordance with the same procedures and timeframes, the notification must also be made if the acquisition of equity investments in companies that hold Significant Assets (such as Snam) by non-EU entities results in a stable holding for the acquirer, due to its assumption of control of the Issuer. If the acquisition poses a threat of serious harm to the fundamental interests of the state, the Prime Minister may:

(i) make the validity of the acquisition conditional on the acquirer's assumption of commitments intended to guarantee the protection of the aforementioned interests;

(ii) oppose the acquisition in exceptional cases involving risks to the protection of the aforementioned interests that cannot be eliminated through the assumption of specific commitments.

The law also stipulates that such powers may be exercised exclusively on the basis of objective and non-discriminatory criteria.

Ownership Unbundling

On 15 October 2012 CDP, through its at that time wholly owned subsidiary CDP RETI S.r.l., acquired from ENI 30% less one share of Snam's voting share capital. As result of such transaction, ENI was no longer the controlling shareholder of Snam and, accordingly, Snam was no longer subject to ENI's direction and coordination activity. According to the May Decree, in order to develop the strategic business and to protect activities carried out by Snam which represent a public utility service, the abovementioned acquisition by CDP RETI must ensure the maintenance of a "stable core" (*nucleo stabile*) in the share capital of Snam. In accordance with the provisions of the May Decree, ENI cannot exercise any voting rights attached to its residual interest in Snam.

Subsequently to October 2012, ENI sold part of its remaining shareholding in Snam. Pursuant to article 2 of the May Decree, CDP must ensure the independence of Snam's governance from the owners of the supply and production business. The ARERA Resolution No. 266/2013/R/gas of 20 June 2013 on the preliminary certification and the ARERA Resolution No. 515/2013/R/gas of 14 November 2013 on the final certification of Snam Rete Gas have confirmed the compliance of the latter with the ownership unbundling requirements as set out by the May Decree. The ARERA highlights in the Resolution, *inter alia*, the lack of factual or legal elements that may jeopardise the independence of Snam and Snam Rete Gas, taking into account: (i) the Italian legislative framework (in particular Legislative Decree 93/2011 and the May Decree); (ii) the lack of direction and coordination activity by CDP over Snam, does not allow CDP to influence the strategic and management choices of Snam; and (iii) the Regulatory framework and the supervisory activity of the ARERA do not permit Snam Rete Gas to put in place discriminatory behaviour.

Following the sale of part of the shares in CDP RETI by CDP to State Grid of China in the last quarter of 2014, with Resolution 20/2015/R/COM of 29 January 2015, the ARERA started a procedure aimed at confirming the fulfilment of the requirements set forth by the ARERA for adopting the certification decision, with reference in particular to the shareholder structure and ownership chain of Snam Rete Gas. Such procedure ended with a positive outcome in June 2016 and ARERA confirmed compliance with the ownership unbundling requirements and the certification decision issued in 2013.

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communication sectors (Presidential Decree No 85 of 25 March 2014) and (ii) procedures for implementing special powers in the energy, transport and communication sectors (Presidential Decree No 86 of 25 March 2014). Lastly, on 2 October 2014, the text of the Prime Ministerial Decree of 6 August 2014 was published, containing the "regulations on the coordination activities of the Prime Minister in preparation for the exercise of special powers over shareholder structures in the defence and national security sectors, and on assets of strategic importance in the energy, transport and telecommunication sectors".

Management, Statutory Auditors and Committees

Corporate Governance of Snam

Snam adopts the traditional system of administration and control comprising of:

- a Board of Directors (*consiglio di amministrazione*) responsible for the management of Snam;
- a Board of Statutory Auditors (*collegio sindacale*), responsible for compliance with the law and with the By-laws, as well as observance of the principles of correct administration in the conduct of Snam's activities and to ensure the adequacy of Snam's organisational structure, the internal control system and the administrative/accounting system;
- the Shareholders' Meeting (*assemblea dei soci*), in both ordinary and extraordinary sessions, which has the power to resolve on, among other things: (i) appointment and dismissal of the members of the Board of Directors and the Board of Statutory Auditors, as well as their respective compensation and responsibilities; (ii) approval of the financial statements and allocation of earnings; (iii) purchase and disposal of Snam's own shares (*azioni proprie*); (iv) amendment of the By-laws; and (v) issues of convertible bonds.

Snam's financial statements are audited by an external company appointed by the Shareholders' Meeting following proposal from the Board of Statutory Auditors.

Since its shares were listed on the Italian stock exchange in 2001, Snam's corporate governance system has complied with the Code of Corporate Governance of Listed Companies promoted by the Borsa Italiana (the "**Code of Corporate Governance**", as amended from time to time).

Code of Ethics, Principles of the Internal Control and Enterprise Risk management system

Snam has adopted and is committed to promoting and maintaining an adequate internal control and risk management system, to be understood as a set of all of the tools necessary or useful in order to direct, manage and monitor business activities with the objective of: (i) ensuring compliance with laws and company procedures; (ii) protecting corporate assets; (iii) managing activities in the best and most efficient manner; and (iv) providing accurate and complete accounting and financial data.

Snam also adopts a Code of Ethics, which was last updated in July 2013. The Code of Ethics defines a shared system of values and express the business ethics culture of Snam, as well as inspiring strategic thinking and guidance of business activities. The Code of Ethics defines the guiding principles that serve as the basis for the entire internal control and risk management system, including (i) the segregation of duties among the entities assigned to the processes of authorisation, execution or control; (ii) the existence of corporate determinations capable of providing the general standards of reference to govern corporate activities and processes; (iii) the existence of formal rules for the exercise of signatory powers and internal powers of authorisation; and (iv) traceability (ensured through the adoption of information systems capable of identifying and reconstructing the sources, the information and the controls carried out to support the formation and implementation of the decisions of the Company and the methods of financial resource management).Over time, the internal control and risk management system has been subjected to verification and updating in order to continually ensure its suitability and to protect the main areas of risk in business activities.

In this context, as well as for the purpose of implementing the provisions of the Corporate Governance Code, Snam has adopted an Enterprise Risk Management system (**ERM**) composed of rules, procedures and organisational structures, for identifying, measuring, managing and monitoring the main risks that could affect the achievement of its strategic objectives. Snam, through the ERM system has adopted uniform and structured method identifying, evaluating, managing and controlling risks in line with existing reference models and best practice.

Board of Directors

The Board of Directors has responsibility for the management of Snam and is vested with full powers for management and, in particular, may take all actions it deems necessary for the implementation and

achievement of any corporate purpose, excluding only acts that the law or the By-laws reserve for Shareholders' Meetings.

In compliance with Snam's By-laws, the Board of Directors has appointed a Chief Executive Officer, to whom it has granted all powers not reserved to the Board of Directors or the Chairman in accordance with the applicable law and/or Snam's By-laws or pursuant to a resolution adopted by the Board of Directors.

The Board of Directors, following a proposal by the Chief Executive Officer (and with the agreement of the Chairman) has appointed: (i) Snam's Accounting Senior Vice President as the officer in charge of preparing financial reports; and (ii) an Internal Audit Manager.

Current Board Members

It was resolved at the Shareholders' Meeting held on 27 April 2016 to set the number of Directors at nine and their term of office at three financial years expiring on the date of the Shareholders' Meeting called to approve the financial statements of Snam as at 31 December 2018. Five of the Directors are independent directors for the purposes of the Code of Corporate Governance, and three of these independent Directors were drawn from the slate presented by the Institutional Investors, voted on by the majority of shareholders who attended the meeting. It was resolved at the Shareholders' Meeting to appoint Carlo Malacarne as the Chairman of Snam and the Board of Directors resolved to appoint Marco Alverà as Chief Executive Officer.

The table below sets out the name, office held and date and place of birth for each of the current members of the Snam Board of Directors.

Name	Office	Date and place of birth
Carlo Malacarne	Chairman	Pavia, 15 May 1953
Marco Alverà	Chief Executive Officer	New York, 19 August 1975
Sabrina Bruno*	Independent Director	Cosenza, 30 January 1965
Monica De Virgiilis	Independent Director	Turin, 20 July 1967
Francesco Gori*	Independent Director	Florence, 15 May 1952
Yunpeng He	Director	Baotou (Inner Mongolia, China) 6 February 1965
Lucia Morselli	Independent Director	Modena, 9 July 1956
Elisabetta Oliveri*	Independent Director	Varazze (SV), 25 October 1963
Alessandro Tonetti	Director	Ronciglione 24 April 1977

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* *Drawn from the slate presented by the Institutional Investors, voted on by the majority of shareholders who attended the meeting.*

For the purposes of the above-mentioned positions, each member of the Board of Directors is domiciled at Snam's registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy. Brief biographies of Snam's Directors are set out below.

Carlo Malacarne

Carlo Malacarne was appointed Chairman of the Board of Directors of Snam on 27 April 2016.

He was Chief Executive Officer of Snam from 2006 to 2016.

With a degree in Electronic Engineering and after a brief period in the company Selecontrol, Carlo Malacarne began his career in Snam in the gas transport technical service. In 1990, he took on a managerial position as operations manager of a natural gas transport district, ensuring the construction and operation of pipelines and promoting commercial initiatives to support the sale of natural gas.

Subsequently, as Director of Telecommunications and Process Systems, he contributed to the achievement of the reorganisation objectives for the telecommunications systems of the Eni Group and, in particular, he

participated in the transfer of the Snam telecommunications branch, with the creation of a New Telecommunications Company, of which he was named Managing Director.

In March 1998, he was appointed Constructions Director, with the responsibility of ensuring the realization of investments both in Italy as well as abroad. During the same period, he was a member of the construction committees in TENP, the pipeline which transports gas from the North Sea to Italy, and TAG, which transports the Russian gas to Italy via Austria, taking part to the implementation of strategic infrastructure for gas transportation along the main European energy corridors.

In July 1999, he was appointed Italian Network Director, with the task of overseeing the management of the gas transport network in Italy and of the GNL Italia regasification system.

In July 2001, ahead of the IPO, he was appointed General Manager of Operations in Snam Rete Gas, and President of the Board of GNL Italia, the company managing the LNG terminal in Panigaglia.

From December 2005 to the beginning of May 2006 he was Chief Operating Officer of Snam Rete Gas with the task of supervising, together with management functions, commercial activities, planning, management of the transport network and the dispatching service.

From November 2012 to April 2016 he has been Chairman of the Board of Snam Rete Gas, a Snam's subsidiary company that operates in natural gas transportation and dispatching.

He is Chairman of Snam Foundation.

He is currently a member of the executive committees of Confindustria and Assolombarda and of several technical bodies such as the Presidential committee of CIG (Italian Gas Committee) and the steering committee of ATIG (Technical Gas Association). From 1997 to 2000 he has been Chairman of the Transport committee of IGU (International Gas Union).

From November 2013 to October 2015 he has been Chairman of Confindustria Energia.

He has also been CEO of Mariconsult and board member of several international gas companies such as Transitgas, which manages the gas transportation system from Northern to Southern Switzerland, and the companies Sergaz and Scogat, which manage the Tunisian part of the Transmed pipeline.

Marco Alverà

Marco Alverà has been Chief Executive Officer at Snam since 27 April 2016. Previously he was Chief Operating Officer from January to April 2016. He is also Vice Chairman of Snam Foundation.

He was Chairman of the Board of Snam Rete Gas, a Snam's subsidiary company that operates in natural gas transportation and dispatching from April 2016 to April 2017.

Since 24 July 2017 he has been Managing Director of Snam Rete Gas.

With a degree in Philosophy and Economics from the London School of Economics, Marco Alverà began his career in London working in Private Equity and M&A. In 2000 he founded Netesi, Italy’s first broadband ADSL company.

In 2002, he joined Enel as Director of Group Corporate Strategy and member of the management committee, contributing significantly to the development of the company's gas strategy and participating in the listing of Terna.

In 2004 he became Chief Financial Officer of Wind Telecom and oversaw the sale of Wind to Orascom.

In 2005, he joined Eni as Director of Supply & Portfolio Development at the Gas & Power Division, successfully managing the outcomes of the gas crisis between Russia and Ukraine in the Winter of 2006, and taking part in the negotiation of the international agreement on gas supplies.

In that role, he also oversaw the acquisition of Belgium’s Distrigas in the delicate unbundling process from Fluxys. During the same period, he was appointed Chief Executive Officer of Bluestream and Promgas and

was in charge of the development of new routes for natural gas towards Europe from the Caspian area, Iran, the Middle East and Africa.

In 2008 he moved to Eni's Exploration & Production Division as Executive Vice President for Russia, North Europe, and North and South America. In these countries, he managed operations and led negotiations with governments and other international oil companies.

In 2010 he was appointed Chief Executive Officer of Eni Trading and Shipping, which manages all commodity Trading and Shipping activities for the company, and in 2012 he became Senior Executive Vice President Optimisation and Trading. In 2013, he took on responsibility for the business unit Midstream, which consolidates the results of Eni's Gas & Power Division and brings together all of the supply, logistics and trading activities of the energy commodities. From July to September 2015 he was the Chief Retail Market Gas & Power Officer.

Since December 2016 he is a member of the General Council of the Giorgio Cini Foundation in Venice, promoting culture and arts and hosting several high-profile initiatives on international relations.

Since March 2017 he is a board member of S&P Global, one of the world's leading providers of credit ratings, benchmarks and analytics in the global capital and commodity markets. Additionally, since June 2017 he has been the first President of GasNaturally, the partnership representing the European gas industry.

He has been a board member of Gazprom Neft, the Performance Theatre, the Global Leadership and Technology Exchange, and Eni Foundation. He was also the Operating Vice President of EUROGAS, the European association that brings together the leading international operators in the natural gas sector, and founding member of the ginger group, which promotes natural gas in Europe, together with Shell, BG, Total and Statoil.

Sabrina Bruno

Born in Cosenza in 1965, Sabrina Bruno is Full Professor of Private Comparative Law at the Economics and Law Department of University of Calabria since 2017 and Adjunct Professor of Law and Economics (Business and Company Law) at the Economics and Finance Department of LUISS G. Carli University of Rome since 2006.

She obtained the national enabling qualification as full Professor of Business and Company Law in 2016 and of Comparative Law in 2013.

She has been Associate Professor of Business and Company Law (2002-2017) and Assistant Professor with tenure of Business and Company Law (1993-2002) at the Faculty of Economics of University of Calabria.

Qualified lawyer, registered in the special Register of the Rome Law Society since 1991.

She was a Fulbright Visiting Scholar at Harvard Law School in 2010.

She obtained a Ph.D. in Private Comparative Law and European Community Law at the University of Florence in 1995. She obtained a three-year Master of Letters (M.Litt.) degree course at Oxford University, Linacre College in 1994. She graduated with honours in Law at LUISS G. Carli, Rome in 1987.

She was Independent non-executive director and Chairman of the Control and Risk Committee of Banca Profilo S.p.A. from 2012 to 2015. Standing auditor of Telecom Italia S.p.A. in 2012. She was Independent non-executive Director and Chairman of the Appointment Committee of Veneto Banca from August 2016 to June 2017. Since October 2016 she is Independent non-executive director of Banca Apulia (Intesa San Paolo). She is non-executive independent Director at Edizioni Master S.p.A. From April 2018 until September 2018 she has been non executive Director at Advam Partners S.g.r..

Academic Member of the European Corporate Governance Institute since 2014.

Member of the Scientific Committee of the Bruno Visentini Foundation since 2010. Member of the Italian Linacre Society since 1995.

Author of two monographs and various articles and essays on corporate law and corporate governance.

Monica de Virgiilis

Monica De Virgiilis was born in Turin in 1967.

Graduated with honours in Electronics Engineering at the Turin Polytechnic University in 1992.

She started her career in 1993 with Magneti Marelli as Production Engineer in the Electronics Division, based in Pavia. In 1996, she joined the French Atomic Energy and Alternative Energies Commission (CEA) with the mission to develop collaborations with Italian companies. Following a highly successful partnership with ST Microelectronics, she joined STM in 2001 as Business Development Manager in the Telecom Wireline Division based in Agrate Brianza (Italy). In 2003, she became the Strategic Alliances Director for the Advanced Technologies Group and moved to their headquarters in Geneva. In 2004, she became Group Vice President in charge of System and Business Development for the Wireless Group.

In 2006, she became General Manager of the Home Video Division and in 2007, in conjunction with the changing business model for wireless customers and the advent of smartphones, she became General Manager of the Wireless Multimedia Division (with a turnover of over one billion dollars) and successfully brought about a transformation of the product portfolio and business model. She played a key role in both the acquisition of NXP-Wireless and the establishment of a joint venture with Ericsson.

In 2010, she left ST-Ericsson and returned to STM, placing her business experience at the disposal of the corporate programmes – first as Group Vice President Organizational Development and then in the Corporate Strategy and Development Division.

In 2015, she joined Infineon Technologies as Vice President Industrial Microcontrollers at their offices in Munich and was able to turnaround the product line which she managed.

During 2017, she led for Octo Telematics the integration of the newly acquired Mobility Solutions, operating services at that intersection of the sharing economy and the automotive technologies.

She is currently Chief Strategy Officer of French national research institute Atomic Energy and Alternative Energies Commission (CEA) and she is driving a mission along the digital and energy transition. She is based in Paris.

She served on the Board of Directors of several startups in the years 2010-2014.

In April 2015 she joined the Board of Directors of Prysmian Group and in February 2016 the Board of Stevanato Group.

Francesco Gori

Francesco Gori was born in Florence on 15 May 1952.

After earning a high-school diploma from a Classical Lyceum in Italy, he graduated in Economics and Commerce with the highest grade and honours from the University of Florence.

He joined Pirelli in 1978, where, after gaining a range of experience in Italy and abroad, he was appointed Managing Director of the Pneumatics division in 2001, CEO of Pirelli Tyre in 2006 and, in 2009, Managing Director of Pirelli & C.

From 2006 to 2011 and for two consecutive terms, he was elected Chairman of ETRMA, the European Tyre & Rubber Manufacturers' Association.

In 2012, he left the Pirelli group.

From 2013 to 2015 he was Industrial Advisor of Malacalza Investimenti and, from 2014, Managing Director of the CCR (Corporate Credit Recovery) fund of Dea Capital Alternative Funds Sgr.

In 2015 he was appointed as a non-executive director on the Supervisory and Management boards of Apollo Tyres, a leading company in the sector and listed in India.

In 2016 he became Chairman of Benetton Group S.r.l. for two years.

Yunpeng He

Yunpeng He was born in Baotou City (Inner Mongolia, China) in 1965.

Bachelor's Degree and Master's Degree in Electric and Automation Engineering from Tianjin University.

Master's degree in Management of Technology from the Rensselaer Polytechnic Institute (RPI).

Currently holds the office of Board Director of CDP Reti S.p.A., Terna S.p.A., Italgas S.p.A. and IPTO S.A. (the TSO for the Hellenic Electricity Transmission System).

He has held the following positions at State Grid Tianjin Electric Power Company: Vice Chief Technical Officer (CTO) from December 2008 to September 2012; Director of the economic and legal department from June 2011 to September 2012; Director of the planning and development department from October 2005 to December 2008; and Director of the planning and design department from January 2002 to October 2005.

He has also held the position of Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and of Chairman of the Tianjin Electric Power Design Institute from June 2000 to January 2002.

From 26 January 2015, he has been a Board Director of Snam S.p.A..

Lucia Morselli

Lucia Morselli was born in Modena in 1956.

She holds a degree cum laude in Maths at the Pisa University.

In 1981 she obtained a PhD in Mathematical Physics at Rome University and in 1982 she obtained a Master in Business Administration at Turin University. In 1998 she also achieved a Master's Degree in European Public Administration at Milan University.

She holds and has held various positions in a number of companies. From 1982 to 1985 she joined Olivetti S.p.A. as assistant to the CFO; she was Senior manager, Strategic and Manufacturing Service at Accenture from 1985 to 1990; from 1990 to 1995 she joined Finmeccanica S.p.A. as CFO of the Aircraft Division.

Subsequently, she was CEO of Telepiù Group from 1995 to 1998; News Corporate Europe and Stream (Sky) S.p.A. from 1998 to 2003, Tecnosistemi S.p.A. in 2004, Mikado S.p.A. and Compagnia Finanziaria S.p.A. in 2009; Bioera S.p.A. from 2010 to 2011, Berco Group from 2013 to 2014 and from 2014 to 2016 at Acciai Speciali Terni.

In 2006 she was Chairwoman of the Board of Directors and CEO of Magiste International SA and from 2011 to 2013 of Scorpio Shipping Group Ltd.

From 2004 to 2005 she was also an executive member of the Board of Directors of NDS and from 2007 to 2008 of IPI S.p.A.

In 2003 she founded the Franco Tatò & Partners consultancy firm and since 2009 she has been a member of the Advisory Board (Restructuring fund) of the DGPA & TATO' Investment Fund.

For other principal activities outside of the Snam Group please refer to the relevant table below named "*Principal Activities of the Directors outside the Snam Group*".

She is a Board member of the Snam Foundation.

Elisabetta Oliveri

Elisabetta Oliveri was born in Varazze (SV) in 1963. She graduated with honours in Electronic Engineering at the University of Genua.

She has been in office at management level in international companies. She has been first General Manager and then CEO of Sirti S.p.A.. From 2011 to 2014 she was a Director of ATM - Azienda Trasporti Milanesi S. p. A. and of Eutelsat S.A. from 2012 to 2016 and of Banca Farmafactoring S.p.A. until April 2018. She is

Chief Executive Officer of Fabbri Vignola S.p.A. Group. She is Director of Gedi S.p.A., SAGAT S.p.A. and ERG S.p.A.. She is Chairman and founder of the "Fondazione Furio Solinas Onlus".

She is *Cavaliere al Merito della Repubblica Italiana*.

Alessandro Tonetti

Alessandro Tonetti was born in Ronciglione (VT) in 1977 and is Chief Legal Officer of Cassa Depositi e Prestiti S.p.A..

A cum laude graduate in Law, he won two one-year scholarships for specialization courses in Administrative Sciences, with particular reference to Economic Public Law under the direction of Professor Sabino Cassese. Subsequently, he obtained a PhD in Administrative Law and Organization and Functioning of the Public Administration at the Sapienza University in Rome and a postgraduate specialization diploma in European Public Law at the Academy of European Public Law of the Kapodistrian University of Athens, with an in-depth examination on the subject of competition and state aid.

In December 2010 he became a senior executive at Cassa Depositi e Prestiti S.p.A. From June 2013 to February 2016, he was a member of the "Nucleo tecnico per il coordinamento della politica economica" (Technical Team for coordination of economic policy) in support of the Prime Minister' office and then since March 2014 he has held the position of deputy Head of Cabinet of the Ministry of Economy and Finance. In this latter period, as representative for the Ministry of Economy and Finance, he was a member of the "*Gruppo di coordinamento per l'attuazione della disciplina dei poteri speciali sugli assetti societari*" (Coordination group for the implementation of regulations on special powers on share ownership) operating at the Prime Minister's office.

In the past, he has held managerial and executive roles at the Prime Minister's Office and was a member of the "*Nucleo di consulenza per la regolazione dei servizi pubblici*" (Advisory Team for public service regulation), as well as of the Technical Secretariat of the National Management Committee for economic programming, also operating at the Prime Minister's office, in support of the activity of the Inter-ministerial Committee for economic programming.

He teaches a Master's degree course in Administrative Law (since 2003) now at the "Roma Tre" University and a Master's in Economics and Development Policies at the LUISS Guido Carli University (since 2016). In the past, he was a contract professor of Business Administration Discipline at the University of Tuscia (2001-2002) and Media Law at the same university (2005-2010), and of Public Finance Law at the Suor Orsola Benincasa University (2014-2016). He has also given lessons at the School of Public Administration and the School of Economics and Finance. Author of various articles and essays in major law journals on administrative national and European law and on Economic Public law.

He is a member of the Special Fund Management Committee of the Istituto per il Credito Sportivo. He was a member of the Board of Directors of Enav S.p.A. in the three year period 2014-2017 (during which time the Company was listed on the Stock Market) and a member of the Board of Directors of the Florence Academy of Fine Arts (2013-2016).

Principal Activities of the Directors outside the Snam Group

The table below shows the principal activities of the members of the Board of Directors outside of the Snam Group.

Director	Principal activities outside of the Snam Group
Marco Alverà	None
Carlo Malacarne	None

Sabrina Bruno	Full Professor of Private Comparative Law at the Economics and Law Department of University of Calabria and Adjunct Professor of Law and Economics (Business and Company Law) at the Economics and Finance Department of LUISS G. Carli University of Rome. Academic Member of the European Corporate Governance Institute. Member of the Scientific Committee of the Bruno Visentini Foundation since 2010. Member of the Italian Linacre Society since 1995. Director of Banca Apulia and Edizioni Master
Monica de Virgiilis	Board member of Prysmian S.p.A. and of Stevanato Group. Chief Strategy Officer of French national research institute Atomic Energy and Alternative Energies Commission (CEA)
Francesco Gori	Managing Director of the CCR (Corporate Credit Recovery) fund of Dea Capital Alternative Funds Sgr. Director on the Supervisory and Management boards of Apollo Tyres
Yunpeng He	Director of CDP Reti S.p.A., Terna S.p.A., Italgas S.p.A and IPTO S.A. (the TSO for the Ellenic Eletricity Trasmission System)
Lucia Morselli	Advisory board member (restructuring fund) of the DGPA & TATO' Investment Fund, Executive Chairwoman of ITAL BROKERS S.p.A., Director of Sisal S.p.A, Sisal Group S.p.A., TIM S.p.A. and ESSILOR LUXOTTICA
Elisabetta Oliveri	Chief Executive Officer of Fabbri Vignola S.p.A. Group, Director of GEDI S.p.A., ERG S.p.A. and SAGAT S.p.A. Chairman and founder of Fondazione Furio Solinas Onlus
Alessandro Tonetti	Chief Legal Officer of Cassa Depositi e Prestiti S.p.A. and member of the Special Fund Management Committee of the Istituto per il Credito Sportivo

Conflicts of Interest

In addition to being on the Board of Directors of Snam, Alessandro Tonetti and Yunpeng He are, respectively, Chief Legal Officer of Cassa Depositi e Prestiti S.p.A. and Director of CDP RETI.

CDP Reti S.p.A., which is 59.1% owned by CDP, owns 30.374% of the ordinary share capital of Snam.

Snam has in place mechanisms and rules aimed at reporting and neutralising potential conflicts of interest when called upon to resolve on matters where one or more directors might have potential conflicts of interest.

Other than as previously stated, as far as Snam is aware, there are no conflicts of interest between any duties to Snam of the members of the Board of Directors and their private interests or other duties outside the Snam Group.

The Regulations of the Board of Directors have been amended to comply with the provisions set out in the shareholder agreement signed between CDP, State Gride Europe Limited ("**SGEL**") and State Grid International Development Limited[14] concerning SGEL's undertaking to ensure that Yunpeng He, the director appointed by it to Snam's Board of Directors (if and to the extent that said director is not independent pursuant to Article 148 of the TUF) shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Snam in relation to matters on which there is a conflict of interests for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition, and shall not take part in the discussions of Snam's Board of Directors concerning the aforementioned matters.

14 CDP and State Grid Europe Limited, which in turn is wholly owned by State Grid International Development Limited, are the main shareholders of CDP RETI. For further information, refer to paragraph "*Principal Shareholders – Brief description of the main shareholder*".

Board of Directors – Committees

The Board of Directors has established the following committees within the Board of Directors, as required by the Code of Corporate Governance, which have consultative and advisory duties: (a) the Control, Risk and Related Parties Transaction Committee; (b) the Compensation Committee; (c) the Appointments Committee; and (d) the Sustainability Committee. The composition, duties and operation of the committees are governed by the Board of Directors in special regulations in accordance with criteria set by the Code of Corporate Governance. The Committees consist of three members. In the performance of their functions, the committees may access information and contact company departments for the purposes of performing their duties. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors.

Control, Risk and Related Parties Transaction Committee

Snam's Control, Risk and Related Parties Transaction Committee (*Comitato Controllo e Rischi e Operazioni con Parti Correlate*) – previously named Control and Risk Committee **-** whose role is to consult with and make proposals to the Board of Directors, was established on 26 February 2002.

The composition, tasks and functioning of such Committee are governed by a special regulation, most recently approved by the Board of Directors on 13 February 2018. These new regulations are aimed at integrating the composition of the Committee to provide the maximisation of the different competences of the Board within the Committee. The Board of Directors set up the Control, Risk and Related Parties Transaction Committee composed of three independent non-executive Directors, as defined by the Code of Corporate Governance. The Committee has proposing and consultative functions with regard to the Board of Directors, to support it through adequate analysis for decisions regarding the internal control and risk management system as well as decisions regarding the approval of the periodic financial reports.

The committee shall have the following functions:

(a) to evaluate, together with the Officer responsible for the preparation of financial reports and having consulted the independent auditing firm and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;

(b) to express opinions on specific aspects inherent to the identification of the main risks faced by the Issuer;

(c) to undertake the additional duties assigned to it by the Board of Directors in relation to transactions in which directors or statutory auditors have an interest and with related-parties, in accordance with the terms and methods set out in the procedure annexed to this Regulation;

(d) to examine the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Head of Internal Audit;

(e) to monitor the independence, suitability, effectiveness and efficiency of the Internal Audit Department;

(f) it may ask the Head of Internal Audit to carry out audits of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Director in charge of the internal control and risk management system;

(g) to report to the Board, at least every six months, upon approval of the annual and half-yearly financial report, on the activity it carries out and the adequacy of the internal control and risk management system; in any event, after each of its meetings, the Committee shall update the Board of Directors with a communication at the first available meeting, on the topics discussed and on the comments, recommendations and opinions formulated therein;

(h) to express its opinion of the proposals put forward by the Director in charge of the internal control and risk management system, in agreement with the Chairman, to the Board of Directors: (i) relating to the appointment, dismissal and compensation of the Head of Internal Audit, in line with the

Company's compensation policies; and (ii) with a view to ensuring that the latter has sufficient resources to fulfil their responsibilities;

(i) to support, with adequate preliminary activities, the Board of Directors assessments and resolutions on the management of risks arising from detrimental facts which the Board of Directors may have been become aware of or that the Committee itself has reported to the Board of Directors.

The Committee shall express its opinion to the Board of Directors in order to:

(a) (i) define the guidelines for the internal control and risk management system also in the medium and long-term, so that the main risks - including, in coordination with the Sustainability Committee, the risks that may be relevant in terms of sustainability, also in order to prepare the non-financial information - facing the Issuer and its Subsidiaries can be identified correctly and adequately measured, managed and monitored, as well as (ii) determine to what extent these risks can be managed using a policy that is consistent with the strategic objectives identified;

(b) once a year, assess the adequacy of the internal control and risk management system, given the characteristics of the Issuer and the risk profile assumed, and also its efficacy;

(c) periodically approve, at least once a year, the audit schedule prepared by the Head of Internal Audit;

(d) describe, in the Report on Corporate Governance and Share Ownership, the main features of the internal control and risk management system, and its evaluation of the adequacy of the system;

(e) assess the results set out by the external auditors in their letter of suggestions, if any, and in the report on fundamental issues that emerged during their audit.

Compensation Committee

The Compensation Committee (*Comitato per la Remunerazione*) consists of three non-executive directors, of whom two are independent, including chairman Monica De Virgiilis. The other members are Elisabetta Oliveri and Alessandro Tonetti.

The Committee has proposing and consultative functions towards the Board and, specifically:

(a) it submits the Remuneration Report and, in particular, the compensation policy for Directors and executives with strategic responsibilities (managers of Snam who, during the financial year and together with the Chief Executive Officer, are permanent members of the Issuer's Management Committee), to the Board of Directors, for its approval and presentation to the Shareholders' meeting convened for the approval of the financial statements, under the terms provided for by law;

(b) it reviews the vote on the Compensation Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;

(c) it formulates proposals on the compensation of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;

(d) it makes proposals concerning the compensation of members of the Board Committees;

(e) it examines information reported by the Chief Executive Officer and proposes:

- the general criteria for the compensation of Executives with strategic responsibilities;
- general guidelines for the compensation of other Executives of Snam and its Subsidiaries;
- annual and long-term incentive plans, including share-based plans;

(f) it proposes the definition of performance targets, the aggregation of company results, the definition of clawback clauses, related to the implementation of incentive plans and the determination of the variable compensation of directors with powers;

(g) it proposes the definition, in relation to directors with powers: (i) of the indemnification to be paid in the event of termination of their employment; (ii) of the non-competition agreements;

(h) it monitors the application of decisions made by the Board;

(i) it periodically evaluates the adequacy, overall consistency and practical application of the policy adopted, as described above at letter (a), by preparing proposals on this subject to the Board;

(j) it performs any duties that may be required by the procedure concerning related-parties transactions carried out by the Issuer;

(k) it reports on the exercising of its functions to the Shareholders' Meeting convened to approve the separate financial statements for the year, through the Chairman of the Committee or another member appointed by the latter; and

(l) it reports to the Board, at least once every six months, not later than the latest date for the approval of the annual and half-yearly report, at the meeting specified by the Chairman of the Board of Directors; in addition, subsequently to its own meeting the Committee updates the Board of Directors in a communication, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein.

Appointments Committee

The Appointments Committee (*Comitato Nomine*) was established by the Board of Directors in October 2011 and consists of three directors, of whom two are independent, including the Chairman Francesco Gori. The other two members are Monica De Virgiilis and Alessandro Tonetti.

The Committee provides consultative and advisory functions to the Board of Directors regarding the members of the Board of Directors.

In particular:

(a) it proposes to the Board candidates for the position of director, should the office of one or more directors be vacated during the year (Article 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the less represented gender;

(b) at the proposal of the Chief Executive Officer in agreement with the Chairman, it submits to the Board of Directors the candidates for the corporate bodies of Subsidiary Companies included in the consolidation area and of strategic foreign subsidiary companies. The proposal formulated by the Committee is necessary;

(c) it prepares and proposes:

- procedures for the annual self-assessment of the Board and its Committees;
- directives relating to limits and prohibitions regarding the holding of multiple offices by Directors of Snam and its Subsidiaries;
- criteria for assessing both the requirements of professionalism and independence of the Board members of Snam and its Subsidiaries and the competing activities performed.

(d) it prepares and proposes diversity policies as specified in letter (*d-bis*) of article 123-*bis* of the TUF.

The Committee reports to the Board, at least once every six months, no later than the latest date for the approval of the annual and six-monthly financial report, on the activities which it has carried out, at the meeting specified by the Chairman of the Board of Directors; in any event, subsequently to its own meeting the Committee updates the Board of Directors in a communication, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein.

The composition, tasks and functioning of the Appointments Committee are governed in a special regulation, most recently approved by the Board of Directors on 13 February 2018.

Sustainability Committee

The Committee is composed of three non-executive directors the majority of whom, included the Chairman, Sabrina Bruno, are independent. The other two members are Lucia Morselli and Yunpeng He. The Committee has proposing and consultative functions towards the Board of Directors on matters of sustainability, using this term to mean all processes, initiatives and activities aimed at overseeing the Issuer's commitment to sustainable development throughout the value chain.

The Committee, in particular:

(a) reviews and assesses: (i) the sustainability policies so as to ensure value creation over time for the shareholders in their entirety and for all the other stakeholders in a medium to long term perspective, in accordance with the principles of sustainable development; (ii) the sustainability processes, guidelines and objectives and the sustainability report submitted annually to the Board of Directors; and (iii) on the basis of the information supplied by the competent departments; (a) Administration, Financial Statements and Tax, (b) Institutional Relations, CSR and Communication, (c) Legal and Corporate Affairs, Compliance and ERM and by the independent auditing firm, the correct use of the standards adopted in order to prepare the non-financial information and the document to be submitted for the approval of the Board of Directors, including and liaising with the Control, Risk and Related Party Transactions Committee, the reporting of risks that may be important in terms of sustainability also in the medium/long-term;

(b) monitors the positioning of the Issuer with respect to the financial markets on sustainability issues, with particular reference to the Issuer's placement in the ethical sustainability indices;

(c) monitors international initiatives on sustainability and the Issuer's participation in them, in order to consolidate the Issuer's international reputation;

(d) reviews any sustainability initiatives as may be included in agreements submitted to the Board of Directors, also in relation to the matter of climate change;

(e) reviews the profit and non-profit strategy of the Issuer and the Issuer's gas advocacy initiatives;

(f) expresses, at the request of the Board, an opinion on other sustainability questions;

(g) after every meeting, the Committee updates the Board of Directors in a communication, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein; it also reports to the Board, at least once every six and no later than the dates on which the annual and half-yearly financial report are to be approved, on the activities it has carried out, in the board meeting indicated by the Chairman of the Board of Directors.

The composition, tasks and functioning of the Sustainability Committee are governed in a special regulation, most recently approved by the Board of Directors on 13 February 2018.

Related party transactions

On 30 November 2010 the Board of Directors approved the "*Procedure relating to transactions involving interests of directors and statutory auditors and transactions with related parties*" (the Procedure), in compliance with the provisions of article 2391-bis of the Italian Civil Code and of CONSOB Resolution No. 17221/2010.

On 12 December 2017, the Board of Directors, after having received the unanimous favourable opinion of the Control, Risk and Related Party Transactions Committee, adopted the "Guideline for Transactions involving the interests of the directors and statutory auditors and Transactions with Related Parties" to replace the existing Procedure with a view to simplifying and maintaining, in substantive terms, content in line with the Consob Regulations (Resolution no. 17221 of 12 March 2010).

The Board of Directors every year conducts an audit of the effectiveness of the Guideline.

The Board of Directors on 12 December 2017 conducted the annual audit pursuant to article 8 of the Guideline and confirmed threshold of importance for "*Transactions of Greater Importance*" at 140 million Euros.

The Guideline addresses the legal and regulatory context in which Snam and its subsidiaries operate and comply with the Unbundling Regulation, by taking into account the specific nature of the activities carried out by Snam and its subsidiaries, which are subject to the supervision of the ARERA.

To further safeguard transparency in the market, Snam ensures material and procedural correctness by voluntarily applying the regime set out in the CONSOB Regulation No. 17221/2010 to all transactions entered into by the subsidiaries with Snam's related parties. This ensures the adequate and timely transfer of information between the directors of the subsidiaries and Snam.

Board of Statutory Auditors

Under Italian law, the role of the Board of Statutory Auditors is to oversee compliance with the law and with the By-laws, ensure the principles of correct administration are observed, monitor the adequacy of Snam's organisational structure for matters within the scope of its authority, the adequacy of its internal control system and of its administrative and accounting system and the reliability of the administrative and accounting system in correctly representing Snam's transactions, check the methods for specific implementation of the rules of corporate governance provided for by the codes of conduct drafted by regulated market management companies or by industry associations, which Snam publically discloses that it upholds, and to review the adequacy of Snam's instructions to subsidiaries pursuant to applicable law.

Legislative Decree No. 39/2010 provides that the Board of Statutory Auditors also performs supervisory functions in its capacity as "Internal Control and Audit Committee", overseeing in particular:

- the financial reporting process;
- the effectiveness of internal control, internal audit and, if applicable, risk management systems;
- the independent audit of annual financial statements and consolidated financial statements; and
- the independence of the independent auditors or audit company, specifically insofar as the provision of services other than auditing to the entity being audited is concerned.

Current Members of the Board of Statutory Auditors

The Board of Statutory Auditors consists of three statutory auditors and two alternate auditors. The auditors are appointed and their compensation is determined in a meeting of the Shareholders. Auditors may be re-elected at the end of their term of office.

The table below sets out the current members of the Board of Statutory Auditors and their dates and places of birth. The current Board of Statutory Auditors was appointed by the ordinary Shareholders' meeting on 27 April 2016 for a three-year period and its mandate is due to expire on the date of the Shareholders' Meeting called to approve the financial statements of the Issuer as at 31 December 2018.

Name	Office	Date and place of birth
Leo Amato *	Chairman	Turin, 17 April 1961
Massimo Gatto	Statutory Auditor	Rome, 27 June 1963
Maria Luisa Mosconi*	Statutory Auditor	Varese, 18 May 1962
Maria Gimigliano*	Alternate Statutory Auditor	Naples, 2 June 1976
Sonia Ferrero	Alternate Statutory Auditor	Turin, 19 January 1971

**Drawn from the slate presented by the shareholder CDP Reti S.p.A., voted on by the minority of shareholders who attended the meeting.*

For the purposes of the above-mentioned positions, each member of the Board of Statutory Auditors is domiciled at Snam's registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy.

Set out below is certain biographical information in relation to the current members of Snam's Board of Statutory Auditors and the principal activities performed by them outside the Snam Group.

Leo Amato

Leo Amato was born in Turin in 1961 graduated cum laude in Business Economics from Turin University.

He is registered on the Italian Register of Auditors and the Register of Court-Appointed Experts; he is a member of the Arbitration Chamber of Piedmont.

He holds administration and audit positions in a number of Italian companies.

He was a short-term Lecturer of Business contract law, non-profit organisation law and Trust and fiduciary transaction law at the Faculty of Economics of the University of Eastern Piedmont.

He is the Chairman of Iusefor, the Training Centre of the University Institute of European Studies of Turin.

Massimo Gatto

Massimo Gatto was born in Rome in 1963.

He graduated in Economics at the University La Sapienza of Rome.

He is a Chartered Accountant, auditor and receiver.

He is Chairman of the Board of Statutory Auditors of MARR S.p.A.. He is Effective Auditor in Collegamenti Integrati Veloci – C.I.V. S.p.A.. He is Alternate Auditor in UNIPOL Gruppo Finanziario S.p.A., Unicredit Factoring S.p.A. and in ARCA HOLDING S.p.A.

Maria Luisa Mosconi

Maria Luisa Mosconi was born in Varese in 1962.

She is a Chartered Accountant and Auditor and has been registered in the Order of Chartered Accountants and Auditors of Milan since 1992. She has been listed in the Register of Consultants for the Court of Milan since 1997.

She has been listed in the Register of Technical Consultants for the Court of Milan, with specific reference to company evaluation and Extraordinary Financial Operations (advanced topics).

She has been a teaching assistant at Bocconi University in Milan for courses on Corporate Finance Introduction to evaluation and Corporate Finance - Financial Management with Professor Mario Massari.

She has worked as a chartered accountant, mainly dealing with insolvency procedures, and consultancy regarding corporate crises and restructuring, as well as expert estimates, evaluations, industrial and strategic plans, expert certifier of recovery plans pursuant to Bankruptcy Law.

She is a member of the NED Community, Non Executive Directors Community, an Italian association for independent non-executive directors. She has been an assistant and collaborator of the Corporate Finance Area of SDA Bocconi.

She has also been teaching assistant at the Cattolica del Sacro Cuore University and at the Bocconi University, both in Milan, for courses on Corporate Finance (basic and advanced courses) with Professor Mario Massari, Maurizio Dallocchio, Gualtiero Brugger.

She has held or currently holds various appointments as Chairman or member of the Board of Statutory Auditors/Audit Committee and Board of Directors or Supervisory Board and Official Receiver of several listed and not listed companies.

She has gained experience in various listed companies in regulated sectors also, in banking and insurance companies, financial intermediaries and savings management companies.

She has experience in the sector of municipally-owned companies and bodies.

She is Chairwoman of the Board of Auditors of Snam Foundation.

She is also a member of the Italian National commission for the issuing of the "*Norme di comportamento del Collegio Sindacale nelle società quotate*" (Regulations for the conduct of the Boards of Statutory Auditors of listed companies) within the Italian National Council of Chartered Accountants and Auditors.

Sonia Ferrero

Sonia Ferrero was born in Turin in 1971.

Graduated in Economics at Turin University. She has been a Chartered Accountant, registered in the Order of Chartered Accountants and Auditors of Turin, since 2001.

She started her professional career at Studio Associato KPMG and later moved to Studio Tributario e Societario Deloitte & Touche.

From January 2004 to July 2015 she worked at Studio Di Tanno & Associati. Since August 2015 she has been working at Studio Vasapolli & Associates. She holds or has held various positions. From May 2008 to December 2013 she was a member of the Board of Statutory Auditors of Holding dei Giochi S.p.A.; from May 2013 to June 2014 she was Chairwoman of the Board of Statutory Auditors of the Fabbri Vignola S.p.A. Group; from August 2010 to June 2015 she was Chairwoman of the Board of Statutory Auditors of Tages Holding S.p.A. and in the same period of Tages Capital SGR S.p.A.; from April 2014 to September 2015, she was a member of the Board of Directors of Gromis S.r.l. and Inimm Due S.r.l. Since May 2013 she has been a member of the Board of Statutory Auditors of MBDA Italia S.p.A. and Iniziativa Gestione Investimenti (IGI) SGR S.p.A.; since April 2011 she has been a member of the Board of Statutory Auditors of Inbetwen SGR S.p.A. and a member of Statutory Auditors of Banca Profilo S.p.A. since April 2015. She is Chairwoman of the board of Statutory Auditors of Geox S.p.A. since April 2016.

Maria Gimigliano

Maria Gimigliano was born in Naples on 2 June 1976.

Graduated from Bocconi University, Milan in Business Economics.

Standing auditor and member of Watch Structure of Banca Progetto. Standing Auditor of Infrastrutture Trasporto Gas S.p.A., Surfaces Technological Abrasives S.p.A., ADI s.r.l., Ennefin S.p.A., RBM Italia S.r.l. Registered on the Italian Register of Auditors.

Conflicts of Interest

As far as Snam is aware, the members of the Board of Statutory Auditors do not have any conflicts of interest between any duties to Snam and their private interests or other duties outside the Snam Group.

Managers with strategic responsibilities

The table below sets out the names, dates and places of birth of the managers of Snam which have been identified as managers with strategic responsibilities ("*dirigenti con responsabilità strategiche*") pursuant to article 65, paragraph 1-*quater* of CONSOB Regulation No. 11971/1999 (as amended):

Name	Office	Date and place of birth
Alessandra Pasini	CFO of Snam	Padova, 19 September 1973
Marco Reggiani	General Counsel of Snam	Reggio, Emilia 3 June 1968
Sergio Busato	Chief Global Solutions Officer	Guidonia Montecelio (RM), 17 November 1956
Paola Boromei	Executive Vice President Human Resources & Organisation	Milan, 11 April 1976

Federico Ermoli	Chief International Assets Officer	Milan, 20 January 1959
Paolo Mosa	Chief Commercial, Regulation & Development Officer	Cremona, 1 May 1960
Massimo Derchi	Chief Business Unit Industrial Assets	Genova 30 March 1963

For the purposes of the above-mentioned positions, each manager is domiciled at Snam's registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy.

Set out below is certain biographical information in relation to the above mentioned managers and the principal activities performed by them outside the Snam Group.

Alessandra Pasini

Alessandra Pasini has been Chief Financial Officer at Snam since November 2016.

With a degree in Business Administration at Università Bocconi, she began her career at Kraft Jacobs Suchards working in the Financial Control Department. In 1998 she joined Citi, holding various positions in the Credit and Corporate Banking departments, also being Chief of Staff of the Italian Country Manager for a period of time. In 2000 she joined the Investment Banking team, managing the separation of Snam Rete Gas from Eni and its subsequent IPO.

Then, holding positions of increasing responsibility and visibility, she dealt with various M&A transactions, bank financing, debt and equity capital markets transactions, specifically following companies operating in the utilities, oil&gas, telecom & media and infrastructure sectors. Amongst other things, she closely followed the repayment of Eni's intercompany loan in 2012 and related take-out transactions on the bond market, GIP's acquisition of a stake in Transitgas and the financing of the TEREGA acquisition by Snam.

In 2013 she joined Barclays as Deputy Head of Investment Banking for Italy, then becoming Head of Investment Banking for Italy and reporting directly to the Head of EMEA. Over the years she managed various relevant transactions, among which the recent listing of Enav, the demerger of Italgas from Snam, Gtech's acquisition of IGT for USD 5.6 bn and the financing of the transaction, which has been the largest acquisition from an Italian corporate in recent years, as well as the €2 bn convertible bond from Telecom Italia, the sale of Telecom Argentina by Telecom Italia and the sale by Eni of its upstream assets in Russia.

Alessandra Pasini was a member of the Board of TAP from December 2016 until 1 October 2018.

From April 2017 to November 2017 she was Chairwoman of Snam Rete Gas and now she is Director.

Marco Reggiani

Marco Reggiani, lawyer, since January 2010 has been group General Counsel. He directs and supervises legal, governance and compliance affairs and enterprise risk management.

Previously, he had responsibility for roles in the Eni group from 2001 until the end of 2009, taking care of both legal assistance to the business activities and of ethics and corporate responsibility issues. Moreover, from 2002 to 2006 he was appointed as Chairman of the Legal Affairs Committee of Assomineraria.

Marco Reggiani has been Board member of Snam Rete Gas until August 2018 and of Stogit until 2016. From April 2012 to September 2016, Marco Reggiani has served as Chairman of Italgas Reti S.p.A..

A graduate in Law at the University of Parma, he achieved a Masters in advanced studies in trans-national law at the University of Trento and was appointed Professor of Environmental Law at LIUC University of Castellanza.

Sergio Busato

Sergio Busato leads the Global Solutions Business Unit of Snam. Sergio Busato has a Master Degree in Geology from University "La Sapienza" in Rome.

He developed his first experience in ore mining exploration with University of Roma, Enea (Nuclear and Alternative Energy Association) and Agip Nucleare SpA. In 1985, he joined Agip SpA.

After an experience in the upstream business, onshore and offshore, he moved to the HR&Organization General Division where, from 1990 to 1997, he developed his career with roles in Italy and abroad (with increasing responsibilities) in Change Management, Education&Training, HR Management, Industrial Relations, Organization, Health&Safety. He has contributed, since the first negotiation phase of the early 1990's, to the development of initiatives which led to project ventures carried out in Kazakhstan.

From 1998 to 2001 he worked mainly in Kazakhstan, England and Russia, as Human Resources Senior Manager of the Karachaganak Joint Venture built together with partner Oil Co. from UK, USA, Russia and Kazakhstan. After such experience he was back in Agip SpA and named International Human Resources Vice President until 2005, completing his professional, human and social experience in more than 30 countries.

In subsequent years he further reinforced his professional profile assuming accountability of the HR, Organization & ICT Dpt in leading companies operating in the Engineering, Power Generation and Photovoltaic business (Snamprogetti and Enipower) and then in Engineering&Construction business (Saipem), focused on the HR International Management, Administration and Industrial Relations.

In 2009 he joined Eni Spa as Human Resources Senior Vice President Refining&Marketing.

Sergio Busato has been working in the Snam Group since 2012.

He was initially accountable for HR&HSEQ in Snam Rete Gas SpA and later on, in 2013, he was nominated Head of International Business to boost and support the internationalization development strategy of Snam. He was Board Director in Companies operating in Italy, Switzerland, Romania and Croatia.

From November 2016 to May 2017 he was Chief Corporate Services Officer of Snam S.p.A. and he was Director of Human Resources, Organization & Security from July 2015 to February 2017.

He has been a member of the Board of operating companies in Italy, Switzerland, Romania, Croatia, France, Austria and Chairman of the Remuneration Committee.

He is a member of the Board of Directors of Confindustria Energie and of the Board of Directors of Snam Rete Gas.

Paola Boromei

Paola Boromei has been Executive Vice President for Human Resources & Organization at Snam since March 2017.

With a degree in Psychology of Organization at Università Cattolica del Sacro Cuore in Milan and a Master's Degree in Organization and Personnel at SDA Bocconi School of Management, she began her career at L'Oréal Group in 2000, where she remained until 2011, holding roles of increasing responsibility in the Human Resources & Marketing department of the Mass Market Division. In 2005 she was appointed Human Resources Director at L'Oréal Prodotti di lusso S.p.A..

In 2008 she was appointed Human Resources Director Europe at Paris headquarters, and subsequently became Global HR Director of the Travel Retail division. In 2010 she obtained a Master Executive (CEDEP) at Insead Business School.

From 2011 to 2013 she was Human Resources Director for the Mediterranean region at Ernst&Young (EY).

From the end of 2013 to February 2017 she was HR & Organization Director at Humanitas, Techint Group.

She is Director of Terega S.A..

Federico Ermoli

Federico Ermoli leads the International Assets Business Unit of Snam.

A graduate in Business and Economics with a Master's degree in Corporate Finance from Bocconi University in Milan, he began his management career in Snam's Finance department in 1984.

He later acquired further international experience as coordinator of International Business at Eni Gas & Power covering numerous positions of responsibility at overseas companies in Germany, Switzerland, Spain, Portugal, Tunisia and the Netherlands. These roles included those of CEO of GALP Energia and CEO of Transgas, from 2001 to 2004.

He also carried out project management roles in industrial projects such as the development of the Blue Stream underwater gas pipeline between Russia and Turkey, and for M&A operations such as the acquisition of French company TEREGA.

CFO of Italgas between 2006 and 2011, he returned to Snam in January 2012 as Director of Planning, Insurance and Finance to guide the start-up of the company's financial activities.

He was Executive Vice President of Business Development and International Business at Snam from April 2013 to November 2016.

He has held Board level memberships in many countries in the natural gas industry internationally and he is currently Chairman of TEREGA Holding and of the Supervisory Board of Trans Austria Gasleitung GmbH (Aufsichtsrat) - Vienna, and member of the Supervisory Board of Gas Connect Austria GmbH - Vienna and of the Board of Directors of Trans Adriatic Pipeline AG. –Switzerland.

Paolo Mosa

Paolo Mosa leads the Commercial, Regulation and Development Business Unit of Snam.

A graduate in Mechanical Engineering from the Polytechnic of Milan in 1985, he began his career in the Snam Group in 1987.

Over the years he held various positions with increasing levels of responsibility in the Foreign Business and Planning and Control Units focusing, in particular, on the economic evaluation and control of significant investment projects both in Italy and abroad, and developing the third parties access model to the Italian natural gas transport network.

Between 2000 and 2001 he was responsible for coordinating foreign companies participated by Snam owning transport infrastructure to import natural gas in Italy. During this period, he was CEO of TMPC Ltd and board member of TAG GmbH, TENP GmbH, TTPC Ltd and Transitgas SA. Until 2002 he was also a member of the board of Tigáz, one of the major gas distribution companies in Hungary.

In 2001 he was appointed Director responsible for the investment planning of the gas network development and for the management of gas transport contracts at Snam Rete Gas, for which he was also Responsible for regulatory affairs with Italy's Authority for electricity and gas.

From 2009 to 2012 he was board member of ENTSOG (the European association of gas transport companies). Until 2008 he was also a member of the board of GNL Italia, the company operating the LNG regasification plant in Panigaglia (La Spezia).

From 2010 to 2014 he was CEO of Italgas, the leading company in Italy in the urban distribution of natural gas.

From 2014 to 2016 he was CEO of Snam Rete Gas.

He is Chairman and Managing Director of Snam4Mobility S.p.A. and Cubogas S.r.l.. He is Chairman of IES Biogas S.r.l. and he is Director of Italgas S.p.A..

In the course of his professional experience, Paolo Mosa has developed a deep knowledge of the regulated businesses in the natural gas industry, both at national and European level, with particular focus on the models of access to infrastructure and carry-out of transportation service, on the tariff systems as well as on the development of new infrastructure.

Massimo Derchi

Massimo Derchi leads the Italian Assets Business Unit of Snam since January 2018.

He has also been Chairman of Snam Rete Gas since November 2017. With a degree in Engineering at the University of Genova in 1986, he held various positions (from Investment Development Management to M&A, Purchases and Strategic Planning) in Italian and foreign companies in the energy sector.

From 1986 to 1996 he has been Project Manager and Head of Foreign Projects in a subsidiary of the ERG group.
During the following three years he has been Head of Projects in Air Liquide Italia, carrying out, amongst other things, the construction of two of the biggest plants for oxygen production in the world.

From 1999 to 2004 he has been in charge of Italian subsidiaries of European and US engineering companies (water cooling system, flue gas treatment, etc.). Again in Erg, from 2005 to 2011 he held various senior management positions in refining (Head of Acquisitions, Organization, Planning and Control and, then, Head of Refining).

From 2011 to 2016, as CEO of Erg Renew, he has led the transformation of the company from petroleum refiner in one of the top ten European onshore wind energy producers, and the most important in Italy, planning and managing the company’s expansion in seven European countries also through acquisitions (Erg Renew has been awarded by Bloomberg as “#1 Worldwide Acquirer” in Clean Energy). He has also been Senior Advisor of Italian and international energy companies.

Independent Auditors

On the proposal of the Board of Statutory Auditors, the Shareholders' Meeting of Snam of 24 April 2018 conferred the appointment: (i) for the external audit of the financial statements for the year and the consolidated financial statements; (ii) for verifying, during the course of the financial year, the correct keeping of the company accounts and correct recording of the operating events in the accounts; and (iii) the limited audit of the accounts of the half-yearly report, on the independent auditing firm PricewaterhouseCoopers S.p.A. for the period 2018 to 2026. The same Shareholders’ Meeting, after having consulted with the Board of Statutory Auditors, resolved the mutual termination of the appointment conferred in April 2010 on the independent auditing firm EY S.p.A., in office, therefore, until approval of the financial statements for the

year ended on 31 December 2017. PricewaterhouseCoopers S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms held by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Via Monte Rosa 91, Milan, 20149, Italy.

EY S.p.A. have audited the consolidated financial statements of Snam S.p.A. and its subsidiaries as of and for the years ended 31 December 2016 and 2017, in accordance with International Standards on Auditing (ISA Italia). EY S.p.A. are authorised and regulated by the MEF and registered on the special register of auditing firms maintained by the MEF.

GLOSSARY OF TERMS AND LEGISLATION RELATING TO THE ISSUER

"**ACER**" means the Agency for the Co-operation of Energy Regulators.

"**ARERA**" means the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di regolazione per energia reti e ambiente*).

"**ARERA 2018 Report**" means the ARERA's 2018 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull'attività svolta)* dated 31 March 2018.

"**AGCM**" means the Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*).

"**CDP**" means Cassa Depositi e Prestiti S.p.A..

"**CDP RETI**" means CDP RETI S.p.A..

"**Code of Corporate Governance**" means the self-regulatory code of corporate governance for listed companies approved by the Corporate Governance Committee of the Borsa Italiana S.p.A., as amended from time to time.

"**Consolidated Unbundling Act**" means collectively the Integrated Code together with Resolution 11/07, as amended from time to time.

"**Decree 93/2011**" means the Legislative Decree No. 93 dated 1 June 2011 (*Mercato interno dell'energia elettrica, del gas naturale*).

"**ENTSOG**" means the European Network of Transmission System of Gas.

"**EPRG**" means European Pipeline Research Group.

"**ERGEG**" means the European Regulators Group for Electricity and Gas.

"**First Gas Directive**" means the Directive 98/30/EC of the European Parliament and of the Council of 22 June 1998, concerning common rules for the transportation, distribution, supply and storage of natural gas.

"**GERG**" means Groupe Europeen de Recherches Gazieres.

"**GME**" means *Gestore dei Mercati Energetici S.p.A.*

"**HHV**" means the higher heating value.

"**Independent Operator**" means a person to be appointed by companies subject to unbundling rules in order to manage and supervise the compliance of the company with the unbundling rules.

"**Integrated Code**" means ARERA Resolution No. 11/2007 of 18 January 2007 and its annexes.

"**J**" means Joule, the unit of measurement of energy, with multiples measured in Giga Joules (1 GJ = 1 billion J) and Mega Joules (1MJ = 1 million Joules).

"**Law 27/2012**" means the Law No. 27 dated 24 March 2012 (*Disposizioni urgenti per la concorrenza, lo sviluppo delle infrastrutture e la competitività*).

"**Law 481/95**" means the Law No. 481 dated 14 November 1995 (*Norme per la concorrenza e la regolazione dei servizi di pubblica utilità. Istituzione delle Autorità di regolazione dei servizi di pubblica utilità*).

"**Letta Decree**" means the Legislative Decree No. 164 dated 23 May 2000 (*Norme comuni per il mercato interno del gas naturale*).

"**LNG**" means liquefied natural gas.

"**LNG chain**" (*Filiera del GNL*) means the process for the extraction of natural gas from the fields, its liquefaction for transport by ship and subsequent regasification for use by the users.

"**Marzano Law**" means the Law No. 239 dated 23 August 2004 (*Riordino del settore energetico, nonché delega al Governo per il riassetto delle disposizioni vigenti in materia di energia*).

"**May Decree**" means Presidential Decree issued on 25 May 2012 regarding the ownership unbundling of Snam from ENI.

"**MED**" means the Italian Ministry of Economic Development (*Ministero dello Sviluppo Economico*).

"**MEF**" means the Italian Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*).

"**Network Code**" means the document governing the rights and obligations of the parties involved in providing the transportation service.

"**NRA**" means the National Regulatory Authority.

"**RAB**" means the regulated assets of the Snam Group the value of which is determined by reference to the net capital invested in assets (*capitale investito netto*) as calculated by reference to applicable ARERA Regulations and on the basis of which gas transportation, storage, re-gasification, distribution tariffs are determined by ARERA.

"**Resolution 11/07**" means the ARERA Resolution No. 11/07 of 18 January 2007 which listed specific obligations for functional unbundling.

"**Resolution 132/08**" means the Resolution ARG/com No. 132/08, of 26 September 2008 which sets out guidelines that describes the compliance requirements, the compliance deadlines ruling unbundling and clarifies the requirements of a compliance program to be drafted by each Independent Operator.

"**Scm**" means the standard cubic metres (gas volumes).

"**Second Gas Directive**" means the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning the internal market of natural gas.

"**Shipper**" or "**Shippers**" means users of the gas system. Shippers purchase natural gas from producers, importers or other Shippers and sell it to other Shippers or to final users, including electrical production facilities and industrial plants, which are typically directly connected to the transportation system, or to residential and commercial consumers, which are connected to a regional distribution network. Shippers use transportation, dispatching, LNG regasification and storage services. The term "Shipper" is used in this Base Prospectus to mean both a user of the gas system in a general sense or a user of one or more of the specific services within the gas system.

"**Sm3**" means a standard unit of gas, equal to pressure at 1,01325 bar (standard atmospheric pressure) and 15°C.

"**Storage Thermal Year**" means the period of time into which the regulatory period for storage is subdivided by the ARERA, which runs from 1 April to 31 March of the following year.

"**Thermal Year**" means the period of time into which the regulatory period for transportation, dispatching and LNG regasification is subdivided by the ARERA, which runs from 1 October to 30 September of the following year.

"**Third Energy Package**" means the set of European Regulations and Directives concerning the internal energy market and providing measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

"**Third Gas Directive**" means the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas.

"**toe**" means the energy value of a ton of oil. 1 billion m3 of natural gas is equal to 0.825 million toe. 1 million toe = 1.212 billion m3 of natural gas.

"**TYNDP**" means the Ten-Year Network Development Plan.

"**Unbundling Regulation**" means the rules set out by the Second Gas Directive on unbundling and transparency of accounts and the corporate, functional and organisational unbundling of operators of gas transmission and distribution systems in vertically integrated groups.

REGULATORY AND LEGISLATIVE FRAMEWORK

The liberalisation process of the energy market launched in Europe has been phased in over a decade with the adoption of three legislative packages, which have gradually been incorporated into the legislation of the European Union Member States. The natural gas industry has been – and still is – subject to significant regulation both at European Union and national levels.

1. The First Gas Directive

Directive 98/30/EC ("**First Gas Directive**") defined common rules for the transportation, distribution, supply and storage of natural gas.

The First Gas Directive was implemented in Italy in May 2000 through the Legislative Decree No. 164/2000 (known as the "**Letta Decree**") which identifies and defines the sectors making up the natural gas market (import, production, transportation, dispatching, storage, liquefied natural gas ("**LNG**") regasification, distribution and sales) and sets out the regulatory principles with regard to liberalisation, unbundling, network access and transparency.

The Letta Decree provides measures regarding:

- the regulation of the transportation, storage, regasification and distribution activities, with the guarantee of non-discriminatory access to infrastructures at regulated rates; and
- the gradual opening of the market to customers (with the definition of eligibility criteria for end-users).

The Letta Decree assigns certain roles and responsibilities to the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) ("**MED**") and the ARERA.

The MED is responsible for defining strategic guidelines for the gas sector and ensuring its safety and economic development. The ARERA, an independent regulatory body, is responsible for the regulation of the national electricity and natural gas markets. Its responsibilities include the definition of criteria for determining and updating tariffs and for governing access to infrastructure, as well as the provision of services related to the transportation, distribution, storage and regasification of LNG.

2. The Second Gas Directive

In 2003, Directive 2003/55/EC ("**Second Gas Directive**") – the second directive on the internal market for natural gas – was issued repealing the First Gas Directive. In Italy, Law No. 239/2004 ("*Reform of the energy sector and delegation to the Government for the reorganisation of the existing provisions relating to energy*", known as the "**Marzano Law**") implemented some of the provisions of the Second Gas Directive which included the following:

- incentives for new supplying infrastructure;
- natural gas transportation and dispatching activities, as areas of public interest, are subject to the relevant obligations provided by European and national regulation;
- exploration, production, underground storage of hydrocarbons and the distribution of natural gas are to be allocated under a concession regime (Article 1, Paragraph 69, of Marzano Law *provided that* the expiry date of distribution concessions awarded without a public tender which were active as of 21 June 2000, is postponed to 31 December 2007); and
- the MED may, once it has obtained the favourable opinion of the ARERA, grant exemptions from rules that provide for third party access rights ("**TPA**") to the network "*in favour of persons who invest in the construction of new infrastructure for the interconnection of national gas transportation systems in European Union member states with the Italian transportation system, in the construction of new regasification terminals and new underground storage for natural gas in Italy, or in significant developments in the capacity of such infrastructure*". The exemption is for a period of at least 20 years and for a quota equal to at least 80% of new capacity.

3. The Third Energy Package – The Third Gas Directive

In July 2009, the "Third Energy Package" was approved in the European Union with a view to completing the internal energy market and providing a series of measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

Among other items, with specific regard to unbundling, Directive 2009/73/EC ("**Third Gas Directive**"), comprised in the Third Energy Package, provides that Member States shall implement measures to ensure the "effective separation" of energy networks from the production and supply activities.

In particular, the Third Energy Package provides for the separation of supply and production activities from transportation network operations. To achieve this goal, Member States may opt between the following three unbundling options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.
- Independent System Operator ("**ISO**"). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.
- Independent Transmission Operator ("**ITO**"). This option is a variant of the ISO option albeit vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transportation.

The Third Energy Package also contains several measures aimed at enhancing consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge and to receive the final closure account at the latest 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 see complaints dealt with in an efficient and independent manner. The Third Energy Package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers. Finally, the Third Energy Package, under EC Regulation 713/2009 and EC Regulation 715/2009 respectively, provides for the creation of the Agency for the Co-operation of Energy Regulators ("**ACER**") and of the European Network of Transmission Systems of Gas ("**ENTSOG**"), in order to promote the creation of the internal gas market. In the coming years, these bodies will have the task of promoting the co-ordinated development of networks – through the predisposition of a non-binding Ten-Year Network Development Plan ("**TYNDP**") every two years – and creating regulations for access and service delivery, harmonised throughout the whole of Europe via the adoption of common European network codes.

The Third Gas Directive was implemented in Italy with Legislative Decree No. 93/2011 on the "*National natural gas and electricity market*" (*Mercato interno dell'energia elettrica e del gas naturale*) (the "**Decree 93/2011**"), which impacts on all business sectors of the Issuer and, in terms of unbundling, envisages that the main Italian gas transportation company shall (i) comply with the ITO model as well as (ii) be certified by the NRA and, consequently, approved and designated as a Transmission System Operator ("**TSO**") by the MED.

The ITO model implied the obligation for the TSO to be autonomous as well as fully and effectively independent from ENI which represented the Vertical Integrated Undertaking (VIU).

The other main provisions of Legislative Decree 93/2011 include:

(i) integration of renewable energy sources generation into the electrical system more efficiently;

(ii) with regard to the exemption from TPA obligation in respect of new interconnection infrastructure originally granted by the Marzano Law, implementing the Second Gas Directive, the scope of such exemption has been changed as it now provides that exemption is granted by MED, with the prior opinion of the ARERA, for a period established on a case by

case basis (with a maximum cap of 25 years) and for a quota which is also decided on a case by case basis.

Pursuant to the May Decree, the Italian legislator opted for the full ownership unbundling regime. See "*Italian Unbundling Legislation*" below.

4. Italian Unbundling Legislation

The Second Gas Directive confirmed the rules on unbundling and transparency of accounts set out in the First Gas Directive, provided also for the corporate, functional and organisational unbundling of operators of gas transportation systems in vertically integrated groups. Besides the above-mentioned provisions set forth in the Marzano Law, the provisions of the Second Gas Directive regarding functional unbundling were implemented in Italy by ARERA Resolution No. 11/2007 of 18 January 2007 ("**Resolution 11/2007**"), and its annexes (the "**Integrated Code**", together with Resolution No. 11/2007, as amended from time to time, the "**Consolidated Unbundling Act**"), which listed specific obligations for functional unbundling.

In particular, the Consolidated Unbundling Act requires vertically integrated companies to provide for functional unbundling. Vertically integrated companies in the gas sector are defined as companies that provide at least one of the following services: transportation, distribution, LNG or storage, together with activities for the production or supply of natural gas. Functional unbundling was defined as the separation of said activities with regard to organisation, decision and managerial powers. Legislative Decree No. 73 of 18 June 2007 ("**Decree 73/2007**"), converted into Law No. 125 of 3 August 2007, requires that the ARERA: (i) adopts specific provisions for the functional unbundling, also in relation to the storage of gas, in compliance with the Second Gas Directive provisions, and (ii) regulates performance of certain distribution companies' obligations.

Pursuant to the Consolidated Unbundling Act, functional unbundling is achieved if independent decision-making and organisational powers are granted to each of the gas transportation, dispatching, LNG regasification, storage and distribution businesses, in order to separate them from any other gas business.

As a consequence, companies operating, *inter alia*, in the gas sectors and carrying out at least one of the following activities: (a) storage of natural gas; (b) regasification of LNG; (c) transportation of natural gas; (d) dispatching of natural gas; (e) distribution of natural gas; and (f) metering of natural gas, are subject to the unbundling regulations to be implemented through an independent operator (i.e. a person to be appointed by companies subject to unbundling rules in order to manage and supervise the compliance of the company with the unbundling rules) (the "**Independent Operator**").

The Independent Operator must comply with a series of requisites established by the Consolidated Unbundling Act. Its fundamental obligation is to ensure that the activities entrusted to it are managed efficiently, economically, neutrally and in a non-discriminatory manner. For this purpose, the Independent Operator is obliged to carry out a series of administrative duties in line with the guidelines specifically set out by the ARERA in Resolution ARG/com No. 132/2008, published on 26 September 2008 ("**Resolution 132/2008"**).

By Resolution No. 132/08, the ARERA published guidelines that: (i) describe the compliance requirements and the compliance deadlines ruling unbundling and (ii) clarify the requirements of a compliance program to be drafted by each Independent Operator (the "**Guidelines**").

Pursuant to the Consolidated Unbundling Act, the Independent Operator of companies carrying out natural gas transportation, dispatching or distribution activities must be composed of all members of the board of directors and its senior managers.

However, ARERA Resolution No. 253/07 of 4 October 2007 ("**Resolution No. 253/07**") partially departs from this principle by providing that not all directors of each company subject to unbundling obligations are required to be members of the Independent Operator, as long as:

- the corporate purpose of the relevant company, as set out in its by-laws, includes the promotion of competition, efficiency and adequate quality standards of service;

- the directors of the relevant company who do not meet the independence requirements set forth by the ARERA resolutions have no operational and/or decision-making power in relation to sales activities; and
- a managing director or an executive committee is vested with a specific role within the Independent Operator of the company, who or which provides binding opinions in respect of (i) all decisions of the board of directors that concern the management and organisation of the unbundled business, (ii) approval of its development plan (an "**Independent Structure**").

On 20 April 2010, the ARERA amended the Consolidated Unbundling Act through Resolution No. 57/10, which essentially envisages that the activities of natural gas storage, regasification, transportation, dispatch, distribution and metering may be managed also jointly, and are therefore not subject to functional unbundling obligations.

Furthermore, Decree 93/2011, introduced new provisions on the separation of operators of natural gas transportation systems from the other activities in the gas supply chain. Decree 93/2011 provides that the major transportation company shall comply with the rules governing ITO and (i) confirms the system of organisational and functional unbundling of distribution activities, as already provided by the Second Gas Directive; (ii) enforces the organisational unbundling of the transportation network from the ownership structure in the cases where the transportation network has adopted the ISO model (designed for minor transportation companies); and (iii) confirms, with regard to regasification, the principle of accounting and administrative unbundling of LNG activities from the other activities of the gas supply chain and identifies the duties of the manager of the LNG system.

Subsequently, Law Decree No. 1/2012, which was converted into Law 27/2012 on 24 March 2012, and the May Decree *provided that* ENI had to sell some of its shares in the shortest timeframe compatible with market conditions and no later than 18 months after Law 27/2012 came into force (i.e. September 2013). The May Decree contains a series of guidelines regarding the sale including that at least 25.1% of its shares will be purchased by the Italian state financing agency Cassa Depositi e Prestiti S.p.A. ("**CDP**") and that the remaining shares will subsequently be sold into the market by transparent and non-discriminatory means.

The May Decree also contains guidance regarding corporate governance of the Issuer following the sale of shares to CDP and provides that no person who is a member of the governing body, the board of statutory auditors or senior management of ENI or its subsidiaries shall also hold a position in the governing body, the board of statutory auditors or senior management of the Issuer or its subsidiaries.

In line with the Third Energy Package, with the May Decree the Italian legislator created a much stricter regime of ownership unbundling ("**OU**") in Italy than the one which was implemented previously under the Third Energy Package, by making the OU model compulsory for all regulated activities (transmission, distribution, storage and regasification of natural gas) and by requiring the vertically integrated undertaking (ENI) to sell its entire stake in Snam.

THE ITALIAN "NATIONAL ENERGY STRATEGY" (*STRATEGIA ENERGETICA NAZIONALE* – SEN)

The "National Energy Strategy" ("*Strategia energetica nazionale* - SEN") is the ten-year plan that the Italian Government drew up to anticipate and manage the change of the national energy system: a document looking beyond 2030, and laying the groundwork for building an advanced and innovative energy model.

Italy's National Energy Strategy lays down the actions to be achieved by 2030, in accordance with the long-term scenario drawn up in the "EU Energy Roadmap 2050", which provides for a reduction of emissions by at least 80% taking into account the levels calculated in 1990.

In particular, the objective of the National Energy Strategy is to make the national energy system

- more competitive, by aligning Italian energy prices with European ones to the benefit of both companies and consumers, opening up new markets to innovative companies, creating new employment opportunities and fostering research and development;

- more sustainable, by contributing to decarbonisation, in line with the long-term targets of the "Paris Agreement on Climate Change", improving energy efficiency and encouraging energy conservation to mitigate environmental and climate impacts, promoting environmentally conscious lifestyles - from sustainable mobility to wise energy usage - and confirming Italy's environmental leadership role;
- more secure, by improving the security of energy supply, while ensuring its flexibility and strengthening Italy's energy independence.

The National Energy Strategy reports that gas will continue to play a key role in the energy transition and decarbonisation processes and promotes, amongst other things, the construction of new gas imports pipelines, in order to diversify supply sources and routes, and the methanization of the Sardinia region.

PRINCIPAL LEGISLATION OF THE ISSUER'S REGULATED BUSINESS AREAS

As described above, the gas market in Italy is controlled and monitored by the ARERA which was established by Law No. 481/1995 (Law 481/95). The main tasks of the ARERA, as set out in Law 481/95, are to guarantee the promotion of competition and efficiency while ensuring adequate service quality standards in the electricity and gas sectors. These goals are achieved by ensuring a uniform availability and distribution of services throughout the country, by establishing a transparent and reliable tariff system based on pre-defined criteria and by promoting the interests of users and consumers, taking into account specific European legislation in such sector and general political guidelines of the Italian government. The tariff system is required to reconcile the economic and financial goals of electricity and gas operators with general social goals, and with environmental protection and the efficient use of resources.

Below is an overview of the principal legislation applicable to the different business areas of the Issuer Group:

1. Transportation and dispatching

Article 2(1) subparagraph (ii) of the Letta Decree, as amended by Decree 93/2011, defines transportation as "natural gas transportation aimed to supply 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". Article 2(1) subparagraph (j) of the Letta Decree defines dispatching as "activities for the purpose of issuing instructions for the co-ordinated use and operation of production and storage facilities, the transportation system and distribution and accessory services". Dispatching ensures a constant balance in the supply and demand of gas.

Article 8 of the Letta Decree defines gas transportation as a free activity of public interest structured in a national and regional gas pipeline network defined in the annual provisions related to national energy policies issued by the MED. TSO carries out transport and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function and physical balancing, including modulation. These companies are also responsible for the utilisation of strategic gas storage under MED directives, and they 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 that have no other activities in the gas sector, except for storage activities, may transport and dispatch gas. Even so, all such activities must be accounted for separately.

TSOs must guarantee access on a non-discriminatory basis to users who request it, *provided that* the connection works required are technically and economically feasible. Pursuant to Article 24.5 of the Letta Decree, on the basis of criteria set by the ARERA (Resolution No. 137/02), TSOs adopt Network Codes, which consist of general conditions and rules for the access and the supply of the transportation service. The Codes, and any related updates, are subject to the Regulator approval. Snam Rete Gas Network Code, approved by the ARERA, is in force since 2003.

Pursuant to Article 30 of the Letta Decree, since the construction of a gas pipeline is deemed to be of public interest, private land may be expropriated for such purpose.

Since December 2011, in addition to transportation activity, Snam Rete Gas has a central role in granting the effectiveness of the natural gas balancing system (*Responsabile del Bilanciamento*) in accordance with ARERA Resolution No. ARG/gas 45/11 of 14 April 2011 and the relevant implementing rules, and in procuring storage natural gas supplies on a specific platform managed by GME (PB-gas) according to market rules in order to re-establish the overall system balance.

From 2015, Regulation EU No. 312/2014 was gradually implemented, *inter alia* with ARERA Resolutions no. 470/2015/R/gas of 7 October 2015 and Resolution no. 312/2016/R/gas of 16 June 2016. According to the abovementioned ARERA Resolutions the new balancing regime implemented in the Snam Rete Gas Network Code started with the Thermal Year 2016-2017.

Under the new regime, on the one hand Network Users will have a more active role and in particular will be economically incentivised to balance their commercial positions through re-nominations of the gas flows even during the gas day and the possibility to trade gas on the GME platform. On the other hand, TSOs will have to be entrusted with a residual role in balancing the gas system by buying/selling gas on the market (on top of the information obligation towards the Network Users). (See "*Business Activities of the Snam Group – TRANSPORTATION*").

From the TSO's perspective, in line with the previous regime, the "neutrality principle" continues to apply. Pursuant to resolution 312/2016/R/gas, an economic incentives mechanism has been implemented with effect from 17 October 2016, in order to encourage TSO information quality improvement and minimise its interventions in the balancing market. With Resolution 661/2017/R/GAS the Regulator has confirmed the general incentive structure already introduced, defining the parameters for the thermal year 2017-2018. Further to that with Resolution No. 349/2017/R/GAS, published on 19 May 2017, ARERA has defined the principles for the TSO cost and revenue neutrality in relation to the balancing activities performed in accordance with the European Balancing Network Code (Regulation EU n. 312/2014) as envisaged by the TIB (*Testo Integrato Bilanciamento*).

With Resolutions No. 670/2017/R/gas and 782/2017/R/gas ARERA has introduced provisions regarding the adjustment of the physical and economic items after the closing of the balancing session, on the basis of new metering data, for the period 2013-2019. Furthermore, the Regulator has set up a dedicated fund managed by the *Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation Fund* for the coverage of the costs related to the settlement activities of the gas sector and guaranteeing the economical neutrality of the Balancing Operator. With Resolutions No. 72/2018/R/gas ARERA has revised the settlement regime for the gas sector previously defined with Resolution No. 229/2012/R/gas and has set up procedures for the settlement of the balancing physical and economic items that will enter into force starting from 1 January 2020. In particular, the difference between the quantities measured at the city-gates and the allocated quantities on the distribution side will be attributed to Snam Rete Gas, as Balancing Operator, and paid by the system.

2. LNG regasification

LNG regasification, as defined by the ARERA, includes the unloading, storage and regasification of LNG through the use of LNG regasification facilities situated within the national territory or Italian territorial waters, including any connecting gas pipelines.

The Letta Decree: (i) requires the companies responsible for LNG regasification not to discriminate the individual operators (Article 20) and (ii) entrusted ARERA to (a) determine a tariff system for the use of LNG terminals in order to ensure a fair return on capital invested so as to incentivise investments to develop capacity; (b) set criteria to guarantee free access to all users of the network with equal conditions, and an impartial and neutral use of LNG regasification terminals under normal market conditions, and (c) determine the main obligations of the subjects involved in LNG regasification activities (Article 24). Moreover, Article 30 of the Letta Decree clarifies that the necessary work for the establishment of LNG terminals (including regasification facilities), with the exception of those to be implemented in maritime government properties, are deemed to be of general public interest, and therefore urgent and not deferrable. On LNG regasification, instead, Article 1 of the Marzano Law establishes that: (i) in paragraph 8, the Italian State should implement the guidelines to be followed by companies carrying out LNG regasification activity, and (ii) in paragraph 17, the

faculty for those companies which decide to invest in new regasification terminals to require an exemption from the application of the regulation on the third party access right (as implemented by general criteria indicated by the ARERA and adopted by the MED).

Since the enactment of Law 340/2000 and currently, on the basis of Article 27, paragraph 31 of Law no. 99/2009, new LNG regasification plants, previously subject to a concessionary regime, need only a pre-emptive authorisation issued by the MED, in concert with the Ministry of Environment and the Ministry of Transport and Infrastructure and in agreement with the concerned Region.

3. Storage

The Letta Decree provides that the storage of natural gas consists of storing natural gas in underground deposits or geological units. In particular, Article 2(1) subparagraphs (ff), (gg) and (hh) define three types of storage: mining storage, modulation storage and strategic storage.

Storage activities are subject to a concessionary regime, in accordance with objective and not discriminatory procedures and criteria, with concessions of up to 20 years (30 years for concessions granted after the entry into force of the Letta Decree, as hereinafter specified) issued by the MED to entities who have the necessary technical, economic and organisational capacity to operate and conduct a storage programme in the public interest. Operators are required to provide storage services to third parties upon request, with priority for residential clients, *provided that* they have enough capacity and that providing such storage services is economically and technically feasible. In order to overcome any sudden interruptions in the flow of gas, operators are required by law to retain a certain volume of natural gas for national strategic purposes. The relative costs are passed on to importers and gas producers. Law No. 170/1974 states that: "*the right to use reserves for a deep storage of natural gas belongs to the State*" (Article 1). It also establishes that the concession is governed by special rules which are attached to the concession and the transfer of the concession to a third party is permitted only upon the authorisation of the Ministry which granted such concession (Article 3); once the concession expires it may be renewed for a period of ten years (also for more times) (Article 5). The activities to be carried out necessary to operate in the gas storage sector are considered to be of general public interest (Article 8). Legislative Decree No. 625/1996 set in 20 years the maximum concession to storage, which could be "extended according to applicable regulations" (Article 32).

The Letta Decree confirms (i) the 20-year concession of natural gas storage in deep geological reserves or units which are issued in "public interest", and (ii) the possibility for the owner of a concession to continue the production of gas for the amount of gas non subject to storage limits. In this regard Article 12 of the Letta Decree provides that the owner of more concessions has to manage such concessions in a "co-ordinated and integrated way" in order to be able to satisfy any request may arise and defers to ARERA the determination of the "criteria and priority access" to ensure equality of conditions, impartiality and neutrality of the storage service. Storage activities must be under a separate accounting and management profile than the transport and dispatching operations and other corporate activities of the so-called "gas chain" (*filiera del gas)*. Article 23 of the Letta Decree defers to the ARERA to set storage tariffs and establishes that such tariffs should be incentivising. Article 30 of the Letta Decree confirms the "public utility" of the storage activities.

The Marzano Law contains the basic principles with regard to the storage activity and it confirms that the storage activity is disciplined through the granting of concessions. The Marzano Law states moreover the following "general aims of the Italian State in the energy field" on the basis of which the Italian State, also through the ARERA, shall: (i) determine the conditions of import and export of energy and the planning of the major energy infrastructures and (ii) take the appropriate measures to use strategic storage in case of necessity, as well as determinations concerning the storage of natural gas in reserves and the co-ordinated operations of storage system. Article 1, paragraph 61 clarifies that the owner of a concession is "entitled to extend the period of the concession for no more than two times", *provided that* it has duly complied with the conditions and duties set out by the MED in the relevant deed of concession.

As stated above, Decree No. 93/2011 provides incentives for investment in new natural gas infrastructure (interconnector pipelines, LNG terminals, storage) 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 MED in consultation with the ARERA and subject to approval of the European Commission).

As clarified above, the gas storage business of the Issuer is dependent on concessions granted by the MED. Under Law No. 221/2012 (article 34, comma 18) gas storage concessions granted after the entry into force of the Letta Decree last no more than 30 years with a single extension period of 10 years. The "20+10+10" years regime set out in article 1, comma 61, of Law No. 239/2004 applies to gas storage concessions granted before the entry into force of the Letta Decree.

MED Decree 22/2/2018 defines, for Thermal Year 2018-2019 the storage service offered by Stogit, along with storage volumes reserved for each service, and the criteria for the allocation of storage capacities. The Decree establishes also the criteria for the withdrawal of gas from the storage system to ensure the security of the Italian natural gas system.

Finally, it should be noted that the storage is the main source of gas flexibility in Italy and therefore Stogit - according to market rules and in close coordination with Snam Rete Gas - has introduced hourly re-nominations of the storage programs by users and a system of day-ahead auctions (as per ARERA Resolutions No. ARG/gas 193/2016) to manage the unprogrammed and spare capacity on a weekly and daily basis.

REGULATORY – TARIFFS

As described above, the transportation, regasification of LNG and storage of natural gas in Italy are regulated by the ARERA, which has been operative since 1997, and is responsible for the regulation of the national electricity and natural gas markets. Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructures and for the delivery of the relative services. According to the Letta Decree, rules for the access and delivery of the services are defined in the codes (Network, Storage, Regasification, Distribution Codes) set by each Company and approved by ARERA. Tariff regulation is set by the ARERA before the start of each regulatory period. It identifies the criteria for the determination of the "allowed revenues" and their revision during the regulatory period as well as the methodology for calculating tariffs. This general methodology applies to all businesses areas and is designed to cover capital and operational costs directly related to the business activities of the relevant company.

The methodology envisages the calculation of a reference revenue at the beginning of the regulatory period being the sum of:

- remuneration on net invested capital which is determined multiplying the Regulatory Asset Base ("**RAB**"), calculated according to the re-evaluated historical cost methodology, by the allowed rate of return ("**WACC**"). For new investments extra returns are recognised as premium above WACC differentiated according to the type of investment;
- depreciation allowance calculated on the basis of the economical/technical lives set by the ARERA for different asset types; and
- allowed operating costs (as reported in the company's financial statements) which may include the retention of profit sharing on the extra-efficiency performed during the previous regulatory periods.

The revenues related to remuneration and depreciation allowance are updated on an annual basis according to RAB evolution during the period, taking into account incentives for new investments, while the revenues related to operating costs are updated according to the price cap methodology RPI –X formula, where RPI represents the inflation index and X is the efficiency target set by the ARERA.

A large portion of allowed revenues (about 95%) are guaranteed during the period through correction mechanisms, which rebate to the users any over/under recovery.

The following are the primary tariff components for each of the regulated activities carried out by the Issuer, based on the regulatory framework in force.

	TRANSPORTATION		REGASIFICATION		STORAGE	
End of TARIFF regulatory period	31 December 2017	Transitional period 1 January 2018 – 31 December 2019	31 December 2017	Transitional period 1 January 2018 – 31 December 2019	31 December 2018	Transitional period 1 January 2019 – 31 December 2019
End of WACC regulatory period	31 December 2021					
Calculation of net invested capital recognised for regulatory purposes (RAB)	Re-evaluated historical cost		Re-evaluated historical cost		Re-evaluated historical cost Deduction of restoration costs recognised	
Return on net invested capital recognized for regulatory purposes (pre-tax WACC)	6.3% (year 2015) 5.4% (years 2016-2017)	5.4% (year 2018) Updated by January 2019 with the expected adjustments of the basic parameters	7.3% (year 2015) 6.6% (years 2016-2017)	6.6% (year 2018) Updated by January 2019 with the expected adjustments of the basic parameters	6.0% (year 2015) 6.5% (years 2016-2017-2018) Updated by January 2019 with the expected adjustments of the basic parameters	
Incentives on new investments	For investments entered into operation by 31 December 2017: 1% over 7 years (on investments in developing the regional network) 1% over 10 years (on investments in developing the national network) 2% over 10 years (on	For investments entered into operation in years 2018 and 2019: 1% over 12 years (on investments in developing the regional and the national networks up to a certain threshold set by the regulator), subject to a cost-benefit analysis with a positive outcome > 1.5	2% over 16 years (on expanding existing terminals by more than 30% or for new Terminals)	For investments entered into operation in years 2018 and 2019: 1,5% over 12 years (on development of new regasification capacity)	2nd and 3rd period: 4% over 8 years (on upgrading existing capacity) 4% over 16 years (on developing new storage fields) 4th period: Retention for 8 years of 20% of new capacity auction revenues if above the reference revenues	

	TRANSPORTATION		REGASIFICATION		STORAGE
	investment to develop entry / exit capacity)				
	1% on new investments realized from 2014 to 2016 for time-lag recognition	Remuneration of investment year t-1 for time lag recognition (from 2017)	1% on new investments realized from 2014 to 2016 for time-lag recognition	Remuneration of investment year t-1 for time lag recognition (from 2017)	Remuneration of investment year t-1 for time lag recognition (from 2014)
Efficiency factor (X FACTOR)	2.4% on operating costs	1.3% on operating cost	0% on operating costs	0% on operating costs	1.4% on operating costs by year 2018 For the year 2019: to be defined in the next tariff proposal

With Resolution 597/2014/R/gas, published on 5 December 2014, the ARERA launched a review of the methodology used by it to calculate and update the WACC for the gas and electricity regulated businesses. In particular, the review aims to permit the gas and electricity regulated businesses to use the same parameters to determine the WACC, other than those that are specific to the individual business.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the WACC for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. In particular, such criteria establish that the parameters to determine the WACC are the same for the gas and electricity regulated businesses, other than those that are specific to the individual business (asset beta and gearing), with a three-year updating period. In particular, the criteria avoid differences between regulated businesses' returns due to specific and non-recurring conditions of the financial markets.

Transportation

The ARERA sets the criteria that gas transport companies have to apply in determining natural gas transport and dispatching tariffs on national and regional networks during the regulatory period which lasts four years. Tariffs are subject to approval by the ARERA, which ensures their compliance with the present criteria.

Criteria established by the ARERA set the allowed revenues that are calculated as the sum of: (i) operating costs including storage and modulation costs; (ii) depreciation of transport assets; and (iii) return on net invested capital.

With Resolution 514/2013/R/gas, published on 15 November 2013, the ARERA issued the criteria for defining natural gas transportation and metering tariffs on the National and Regional Transportation Network for the fourth regulatory period (1 January 2014 to 31 December 2017). Such criteria establish that:

- the valuation of the net invested capital ("**RAB**") is based on the re-evaluated historical cost methodology;
- the base return rate ("**WACC**") of net invested capital is set at 6.3% in real terms before taxes[15]. In order to cover the so-called "regulatory lag" related to the time delay in the recognition of the new investments in the RAB, a 1% increase of WACC is applied to those investments carried out after 31 December 2013;

[15] The base return established in Resolution 514/2013/R/gas was valid for the years 2014-2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

- incentives for certain new investments carried out after 31 December 2013 provide for a higher return compared to the WACC, in relation to the type of investment, from 1% to 2% and for a period from 7 to 10 years. Investments carried out until 31 December 2013 keep the incentivised treatments applied in the previous regulatory periods. The revenues associated with new investments are paid starting from the second year following that in which the costs were incurred ("spending") and are guaranteed regardless of the volumes transported. The ARERA has launched a process for the adoption of a resolution on output based incentivisation mechanisms for new investments according to selectivity criteria. These will be developed as far as possible on the basis of market tests aimed at verifying the user commitments to use the new infrastructures in order to sustain selectively those infrastructures required for competition, development, security of the national gas system and sources diversification;

- the revenues component related to the depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA. As far as the transport infrastructure assets are concerned, the useful life of pipelines has been set at 50 years. The gross fixed asset is calculated net of public and private grants;

- the revenues component related to operating costs reflects the amount of accounting costs at the beginning of the regulatory period plus operating extra-efficiency from previous periods allowed to be retained by the ARERA (total level equal to approximately 13% of the overall revenues);

- the method for updating the price cap tariffs is RPI-X: increased for inflation and decreased by an annual recovery coefficient set at 2.4%. The price cap method is applied to operating costs;

- the revenue components related to returns and depreciation are determined on the basis of the annual update of net invested capital (RAB); and

- the guarantee mechanisms applied to the capacity and commodity revenue components which guarantee about 99.5% of the total allowed revenues.

The tariff structure is based on an entry/exit model and was also confirmed for the fourth regulatory period, together with the capacity fee for the metering service.

The fuel gas is treated as a pass-through cost which is payable in kind by the users and is excluded from the price cap mechanism.

Furthermore, through resolution n. 514/2013/R/gas, the ARERA has recognised €6.5 million for higher costs incurred for activities required by the Legislative Decree 93/11 and the resolution ARG/gas n. 45/11.

With decision No. 2888/2015 dated 12 June 2015, the Council of State upheld the previous decision issued by the Administrative Court of Lombardia – Milan which annulled some of the provisions contained in the resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 relating to transportation and dispatching tariffs for the 2010-2013 period.

Specifically, the Council of State upheld the annulment of the provisions which: (i) increased from 70% to 90% the capacity component in tariff determination and, thus, reduced from 30% to 10% the commodity component, considering that such provisions may determine costs increase for those operators whose activities are mainly concentrated in entry points located in Southern Italy: in particular, the Council of State affirmed that ARERA did not provide "adequate logical and/or legal supports" regarding the imbalance between the two tariff components; and (ii) provided for a mechanism where the fuel gas used for compression stations is treated as a pass-through cost payable in kind by the users.

The Authority has thus begun a consultation among the operators in order to have their opinions on the ways to modify the relevant regulatory provisions in order to comply with the aforesaid Council of State decision. As at the date of this Base Prospectus, a new Resolution is yet to be adopted.

With decision No.3735/2015, dated 28 July 2015, the Council of State upheld the previous decision issued by the Administrative Court of Lombardia – Milan which annulled some of the provisions contained in the resolutions n. 514/2013/R/GAS, 603/2013/R/GAS and 641/2013/R/COM relating to transportation and dispatching tariffs for the 2014-2017 period.

Specifically, the Council of State upheld the annulment of said provisions insofar as they have not introduced degressive features in transportation tariffs in favour of end-users with high consumption of gas, as set by the law n.134/2012 that established to adjust the system of transportation tariffs of natural gas in accordance with criteria that make transportation services for users with higher consumption of natural gas more flexible and less expensive.

With Resolution 429/2015/R/gas, the ARERA started a procedure in order to comply with the abovementioned decision No. 3735/2015.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 to 31 December 2021. For the years 2016 and 2017 the base return rate (WACC) is set at 5.4% for transportation business.

With Resolution 550/2016/R/gas published on 7 October 2016 - following the Council of State decision n. 2888/2015 - the ARERA has redefined the tariff criteria for the transportation service for the regulatory period 2010-2013, confirming the 90/10 capacity/commodity split and replacing the fuel gas mechanism in kind with a commodity charge differentiated for each entry point of the national transmission network. This provision has had no impact on Snam Rete Gas's revenues.

With Resolution 669/2016/R/gas, published on 17 November 2016, the ARERA approved the transportation, dispatching and metering reference revenue for 2017, equal to €1,880 million. RAB as at 31 December 2015 for the transport, dispatching and metering business has been set at €15 billion.

With Resolution 776/2016/R/gas, published on 28 December 2016, and based on the reference revenues approved with Resolution 669/2016/R/gas, the ARERA approved the transportation, dispatching and metering tariffs for 2017.

With Resolution No. 82/2017/R/gas, published on 24 February 2017, ARERA launched the process to define the tariff criteria for the next regulatory period. With Consultation Document No. 413/2017/R/gas, published on 12 June 2017, ARERA has proposed the introduction of a two-year transitional period (2018 to2019). The document also includes proposals concerning the evolution in the treatment of the metering activity. The beginning of the fifth regulatory period is envisaged from 2020, with an expected duration of four years. The detailed tariff criteria for the fifth period will be discussed in following consultation documents.

With Resolution No. 575/2017/R/gas, published on 4 August 2017, ARERA defined the tariff criteria for the gas transmission activity during the Transitory Period 2018-2019. Such criteria establish that:

- investments carried out in year t-1 will be included in RAB for tariff determination of year t, substituting 1% of additional return used to cover the regulatory time-lag;
- the current asset β parameter is confirmed for the Transitory Period 2018-2019. The current rate of return, equal to 5.4% in real terms pre-tax, is therefore confirmed for 2018 and will be updated by January 2019 with the expected adjustments of the basic parameters;
- current input-based incentive scheme (1-2% for 7/10 years respectively for regional and national networks) will be applied to new development investments entered into operation by 31 December 2017. An input-based incentive scheme (1% for 12 years for regional and national networks) will be applied to development investments of new transmission capacity entering into operation in years 2018 and 2019, started at 31 December 2017. The incentive will be also applied to investment started after 1 January 2018 entering into operation in the transitory period, included in the Development Plan and with a benefit-cost ratio higher than 1.5 and a positive Authority evaluation. The 1% additional return to cover the regulatory time-lag is applied to the investments carried out in the period 1 January 2014 to 31 December 2016; and
- cost base used for the 4th Regulatory Period will be rolled forward according to inflation and a productivity factor (X-factor). The unit commodity charge (CV) for years 2018 and 2019 will be calculated considering a reference volume equal to 67.2 bcm.

With Resolution No. 757/2017/R/gas, published on 17 November 2017, the Authority approved the allowed revenues for gas transmission, dispatching and metering services for 2018, which have been set at 1,947

million euro. RAB used to calculate the 2018 revenues for the transport, dispatching and metering businesses has been set at €16 billion and includes investments carried out in 2017.

Based on these revenues, with Resolution No. 795/2017/R/gas, published on 5 December 2017, the transport tariffs valid for the period 1 January 2018 to 31 December 2018 have been defined. The new tariffs are based on a distribution of the revenues between the entry and exit points of the national network equal to 40% -60%.

With Resolution No. 208/2018/R/gas, the Authority approved the admission of Snam Rete Gas's development investments, presented under the Ten-year Transport Network Plan, to the safeguard clause referred to in point 4 of resolution 689/2017/R/gas, that will allow them to benefit from the input-based incentive equal to 1% of the WACC.

With Resolution No. 280/2018/R/gas, published on 10 May 2018, the Authority approved the reference revenues for gas transmission, dispatching and metering services for 2019, which have been set at €1,964 million. RAB used to calculate the 2019 revenues for the transport, dispatching and metering businesses has been set at €16,2 billion and includes forecasted investments to be carried out in 2018.

Based on these revenues, with resolution No. 306/2018/R/gas, published on 1 June 2018, the transport tariffs valid for the period 1 January 2019 to 31 December 2019 have been defined.

With resolution no. 390/2018/R/gas, published on 19 July 2018, the Authority has calculated the revenue components of the national and regional networks of the gas transmission activity, as well as the revenue component related to the metering activity, for the year 2018, relevant for the determination of the correction factors for the year 2020 (and following).

The aforementioned calculation is based on the tariff proposal for the year 2018, approved with resolution no. 757/2017/R/gas, updated to take into account the actual investments of the year 2017 as resulting from the tariff proposal for the year 2019, approved with resolution no. 280/2018/R/gas.

With Resolution No. 468/2018/R/gas, published on 28 September 2018, ARERA defined the rules for the consultation of the TYNDP and approved the minimum requirements for the preparation of the TYNDP and for the cost-benefit analysis ("**CBA**") of the investments. The deadline for the presentation of the TYNDP 2018 was postponed to 30 November 2018 and Snam Rete Gas was mandated to develop by the beginning of 2019 a proposal on the application criteria of the CBA. Such resolution also envisages that in case the TYNDP 2018 will not include sufficient elements for the CBA, in relation to the investments entering into operation in year 2019 the provision of point 3 of Resolution 589/2017/R/gas shall apply, with a provisional recognition of the whole investment costs pending the demonstration of the investment utility in the following TYNDP.

Regasification

With Resolution 438/2013/R/gas, published on 9 October 2013, the ARERA defined the tariff criteria for the regasification service applicable for the fourth regulatory period (1 January 2014 to 31 December 2017). Such criteria established that:

- the valuation of the net invested capital (RAB) is based on the re-evaluated historical cost method;
- the base return rate (WACC) of net invested capital is set at 7.3% in real terms before taxes[16]. In order to cover the so called "regulatory lag" related to the time delay in the recognition of the new investments in the RAB, a +1% increase of WACC is applied to those investments carried out after 31 December 2013;
- new investments carried out from the financial year 2014 onwards, and aimed at increasing the regasification capacity of existing terminals by more than 30% or building new terminals, are incentivised with a premium of 2% above the base WACC, for 16 years. Investments carried out until 31 December 2013 keep the incentivised treatments applied in the previous regulatory periods. The ARERA has launched a process for the adoption of a resolution on output based incentivisation mechanisms for new investments according to selectivity criteria;

[16] The base return established in Resolution 438/2013/R/gas was valid for the years 2014-2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

- the revenues component related to depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA;
- in regard to the tariff structure, 100% of the total revenue is allocated to the capacity component. Around 64% of the revenues are guaranteed through a revenue coverage factor;
- the dismantling costs are covered though a specific capacity charge;
- the tariffs are updated using the price cap methodology applied only to the component related to operating costs, with a productivity recovery coefficient to be defined by the ARERA; and
- the revenue component related to the return and depreciation is updated on the basis of an annual recalculation of invested capital and additional revenues from the incentives for investments realised in prior regulatory periods.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. For the years 2016 and 2017 the base return rate (WACC) is set at 6.6% for regasification business.

With Resolution 392/2016/R/gas, published on 15 July 2016, the ARERA approved the regasification service tariffs for 2017. Tariffs have been set based on reference revenue of €27.9 million. Actual revenue for 2017 will take into account the contractual capacity. The guarantee factor for covering revenue is set at 64% of reference revenue. RAB at 31 December 2015 for the use of LNG terminal regasification service has been set at €108.5 million.

With Resolution No. 141/2017/R/gas, published on 17 March 2017, the ARERA has launched the process to define the tariff criteria for the next regulatory period. The Resolution has also launched a process to adopt the provision of Legislative Decree No. 257/16 related to the accounting unbundling of the Small Scale LNG activities. With Consultation Document No. 485/2017/R/gas, published on 29 June 2017, ARERA has proposed the introduction of a 2-year transitional period (2018-2019). The beginning of the fifth regulatory period is envisaged from 2020. The tariff criteria for the fifth period will be discussed in following consultation documents.

With Resolution No. 653/2017/R/gas, published on 2 October 2017, ARERA defined the tariff criteria for the gas regasification activity during the Transitory Period 2018-2019. Such criteria establish that:

- investments carried out in year t-1 will be included in RAB for tariff determination of year t, substituting 1% of additional return used to cover the regulatory time-lag.
- The current asset β parameter is confirmed for the Transitory Period 2018-2019. The current rate of return, equal to 6.6% in real terms pre-tax, is therefore confirmed for 2018 and will be updated by January 2019 with the expected adjustments of the basic parameters.
- Current input-based incentive scheme (2% for 16 years) will be applied to new development investments entered into operation by 31 December 2017. An input-based incentive scheme (1,5% for 12 years) will be applied to development investments of new regasification capacity entering into operation in years 2018 and 2019. The 1% additional return to cover the regulatory time-lag is applied to the investments carried out in the period 1 January 2014 - 31 December 2016.
- Cost base used for the fourth Regulatory Period will be rolled forward according to inflation and a productivity factor (X-factor).
- The current revenues guarantee scheme is confirmed for the transitory period.

With Resolution no. 660/2017/R/gas, published on 2 October 2017, the ARERA introduced a competitive mechanism for the allocation of regasification capacity. The Resolution anticipated an ascending clock auction algorithm for the allocation of annual and multi-annual regasification capacity and pay-as-bid auctions for the allocation of regasification capacity for periods of less than one year. It is also expected to extend up to 15 years the period for the allocation of multi-annual regasification capacity (currently up to 5 years).

With Resolution No. 878/2017/R/gas, published on 22 December 2017, the Authority approved the allowed revenues and the tariffs for regasification service for the year 2018. Tariffs have been set based on reference revenue of €26.9 million. Actual revenue for 2018 will depend on the contracted capacity. The guarantee factor for covering revenue is set at 64% of reference revenue. RAB used to calculate the 2018 revenues for the regasification service has been set at €107,9 million euros and includes investments carried out in 2017.

Storage

With Resolution ARG/gas 119/10, published on 5 August 2010, the ARERA established the calculation criteria for the storage tariffs for the third regulatory period (1 January 2011 to 31 December 2014). Such criteria establish that:

- the valuation of the net capital invested (RAB) is based on the re-evaluated historical cost method;
- the base return rate (WACC) of net capital invested is set at a real rate of 6.7% before taxes;
- incentives for certain new investments were confirmed and provide for a higher return compared to the base rate (WACC), amounting to 4% for a period of eight years for extending existing capacities and for a period of 16 years for developing new fields. The revenues associated with new investments are paid starting from the second year following the one in which the costs were incurred ("spending") and are guaranteed regardless of the volumes transported;
- the revenues component related to the amortisation and depreciation of the asset base is calculated on the basis of the useful economic and technical life;
- the revenues relating to operating costs reflects the amount of accounting costs at the beginning of the regulatory period plus operating extra-efficiency from the previous period;
- the method for updating the price cap tariffs is RPI-X: increased for inflation and decreased by an annual recovery coefficient set at 0.6% (2% in the previous regulatory period). The price cap method is applied to operating costs; and
- the revenue components which are related to returns and amortisation and depreciation are determined on the basis of the annual update of net capital invested (RAB). In the third regulatory period, the amortisation is subtracted from the price cap mechanism.

With this resolution, for the purposes of applying the tariffs, the calendar year is taken as a reference rather than the thermal year and the single tariff is confirmed nationally along with the revenue equalisation mechanism.

With Resolution 185/2012/R/gas the ARERA defined a mechanism for adjusting any differences arising from the total restoration provision paid to the storage company and the costs actually sustained for restoration of the storage sites.

With Resolution 531/2014/R/gas published on 31 October 2014, the ARERA established the calculation criteria for the storage reference revenues for the fourth regulatory period (1 January 2015 to 31 December 2018). Such criteria establish that:

- the valuation of the net capital invested (RAB) is based on the re-evaluated historical cost method. In order to neutralise the so called "regulatory lag" related to the time delay in the recognition of the new investments, the RAB is determined on the basis of year y-1;
- the base return rate (WACC) of net capital invested is set at a real rate of 6.0% before taxes[17] and will be revised for the year 2016;
- incentives for new capacity carried out after 31 December 2014 provide for a retention for eight years of the 20% of new capacity auction revenues if above the reference. For more details on the

[17] The base return established in Resolution 531/2014/R/gas was valid for the year 2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

remuneration of new investments of previous regulatory periods refer to Art. 3.7 and Art. 5.2 of the attachment A of the Resolution 531/2014/R/gas;

- the revenues component related to the depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA. The gross fixed asset is calculated net of public and private grants;
- as in the third regulatory period, restoration costs are covered through a revenue component. A mechanism for adjusting any differences arising from the total restoration costs paid to the storage company and the costs actually sustained for restoration of the storage sites is also confirmed;
- the revenues component related to operating costs reflects the amount of accounting costs at the beginning of the regulatory period plus operating extra-efficiency from the previous periods allowed to be retained by the ARERA;
- the method for updating the price cap tariffs is RPI-X: increased for inflation and decreased by an annual productivity recovery coefficient to be defined by the ARERA. The price cap method is applied only to the component related to operating costs;
- the revenue components related to returns and depreciation are determined on the basis of the annual update of net invested capital (RAB). In particular, as in the third regulatory period, the depreciation is not subject to the price-cap mechanism; and
- the guarantee mechanism is applied to the total reference revenues and guarantees, for year 2015, about 97% of them. A following resolution by ARERA will define the guarantee level for the period 1 January 2016 to 31 December 2018[18].

The resolution extends until 31 March 2015 the application of the annual tariffs for the storage service for 2014, approved by ARERA through Resolution 350/2013/R/gas.

Resolution 531/2014/R/gas has been challenged by Stogit before the competent Judicial Authority (TAR Lombardia).

On 13 February 2015, the ARERA published Resolution 49/2015/R/gas ("Provisions for the allocation of the storage capacities for the thermal storage year 2015-2016 and storage tariff definition"), which defined how the regulated tariffs would be calculated, how the auction procedure would be organised and how storage capacity would be allocated for the 2015-2016 thermal year, pursuant to the decree issued by the Ministry of Economic Development on 6 February 2015. The Resolution postpones to a subsequent Resolution the provisions for amending the timeframes for settlement to ensure that storage companies have a revenue flow equivalent to that received under the application of regulated tariffs.

On 17 April 2015, the ARERA published Resolution 171/2015/R/gas ("Provisions on settlement related to storage services for the 2015-2016 thermal year"), which neutralises, in terms of revenue flow, the possible differences between the regulated fees defined by the ARERA and those derived by auction procedures, due to the provisions of Resolution 49/2015/R/gas.

With Resolution 182/2015/R/gas published on 29 April 2015, the ARERA defined the incentive mechanism for the new withdrawal storage capacity provided by Decree Law No. 133/2014. Such Resolution applies to the peak supply capacity additional to the one offered in the thermal year of storage 2015-2016 and the access to the mechanism is allowed for investment purposes and is not made in implementation of legal obligations and is subject to the provision of minimum benefits related to the new capacity. In addition, the mechanism provides for an incentive that differentiates between new operators and existing operators and there are penalties if the actual performance does not meet minimum thresholds or are not made available within the thermal year 2021-2022.

The requests for access to the mechanism were to be submitted by operators of storage to the ARERA by 30 September 2015 and, in case of the boosting of existing sites, the mentioned request must include an irrevocable renunciation to further incentive mechanisms obtained with reference to such site. The ARERA

[18] Ref. to Resolution 389/2017/R/gas.

will subsequently decide within 90 days of receipt of the request, complete with all the documentation indicated within Resolution 182/2015/R/gas.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. For the years 2016, 2017 and 2018 the base return rate (WACC) is set at 6.5% for storage business.

With Resolution 652/2015/R/gas ("Provisions on safeguarding of the new investments carried out by storage companies and entered into operation until 31 December 2015"), published on 23 December 2015, the ARERA recognised to investments entered into operation until 31 December 2015 the same incentivised treatments that applied in the previous regulatory period ended at 31 December 2014 (i.e. higher return compared to the WACC equal to 4% for a period from 8 to 16 years, in relation to the type of investment).

With Resolution 441/2016/R/gas, published on 29 July 2016, the ARERA approved the provisional reference revenues for the storage service for 2017.

With Resolution 589/2017/R/gas, published on 7 August 2017, the ARERA defined the rules to neutralise, in terms of revenue flow, the possible differences between the regulated fees and those derived by auction procedures. With the same Resolution the ARERA concluded the in-depth analysis about the technical performances provided by Stogit storage sites, launched with Resolution 323/2016/R/gas: given the results of the analysis, the ARERA decided to maintain the value of γ (the key parameter for the calculation of the guarantee mechanism) equal to 1 for the remaining part of the current regulatory period (2015-2018). Following those results, the ARERA has also decided to start a proceeding to define an incentive mechanism aimed at incentivising the storage companies to maximise the value of the storage resources offered to the market, to be completed by the end of January 2018.

With Resolution 643/2017/R/gas, published on 22 September 2017, the ARERA approved the allowed revenues for the storage business for 2017. Reference allowed revenues for 2017 have been set at €503.2 million. RAB for the natural gas storage business has been set equal to €4.0 billion.

With Resolution No. 68/2018/R/gas, published on 9 February 2018, the Authority extended the current tariff criteria for the storage service for the year 2019 and started the procedure for the revision of the tariff and quality criteria for the fifth regulation period (5PRS), which will start from the year 2020, aligning with the regulatory periods of gas transmission and LNG regasification. The current value of the Beta asset parameter is also confirmed for the year 2019.

With Resolution 350/2018/R/gas, published on 22 June 2018, the ARERA defined the rules to neutralise, in terms of revenue flow, the possible differences between the regulated fees and those derived by auction procedures for the thermal year 2018/2019.

With Resolution 360/2018/R/gas, published on 28 June 2018, the Authority approved the definitive allowed revenues for the storage activity for the year 2018, which have been set at 500 million euro. RAB used to calculate the 2018 revenues for the storage business has been set at 4 billion euros and includes investments carried out in 2017.

REGULATORY - TARIFFS OF INTERNATIONAL ACTIVITIES

TEREGA – Transmission

The transportation of natural gas in France is regulated by the *Commission de régulation de l'énergie* ("**CRE**") an independent administrative body in charge of regulating the French electricity and gas markets.

In particular the CRE has the following tasks: (i) proposing the tariffs for the use of public natural gas networks and liquefied natural gas facilities, to the Ministers of Energy and the Economy (the ministerial decision is deemed to be established unless there is opposition from one of the Ministers within two months of receipt of the proposal from CRE) (ii) guaranteeing the right of access to public natural gas networks and facilities (iii) ensuring the proper functioning and development of natural gas market as well as of networks and infrastructures (iv) ensuring the independence of system operators.

Tariff regulation is set by the CRE before the start of each regulatory period. It identifies the criteria for the determination of the "allowed revenues" and their revision during the regulatory period. The regulatory framework for the use of natural gas transmission networks, called the "ATRT6 tariffs", came into effect on 1 April 2017 and will last for a period of about four years. They provide for an update on April 1 of each year according to rules laid down in CRE tariff decision of 15 December 2016.

Allowed revenues are calculated as the sum of (i) capital expenses and (ii) operating expenses:

- Capital expenses include the return on and depreciation of the regulated asset base (RAB) as well as the return on assets under construction. The rate of return on the RAB is calculated according to the CAPM methodology and is set at 5.25%, in real terms before tax. Assets under construction are currently remunerated at the cost of debt (3.7% in nominal terms). The calculation of the RAB and depreciation is based on the valuation of the regulated asset base, which is carried out using a "current economic costs" methodology. The economical/technical lifetimes retained for the main categories of industrial assets are 50 years for pipelines and 30 years for compression equipment. Assets are re-valued on 1 January each year. The calculation of the RAB and capital expenses for ATRT6 takes into account investment projections provided by the operators and revised by CRE. Any difference between investment estimates and the actual expenses are covered through the "Expense and revenue clawback account" (CRCP).

- Operating expenses to be covered by the tariffs are determined based on the operational costs necessary for the functioning of the transmission networks as proposed by the network operator before the start of the regulatory period and reviewed by CRE. A trajectory of TSOs' net allowed operating expenses is defined for the period 2017-2021 and it corresponds to an annual change in the expenses based on the costs incurred for 2015, according to inflation and an annual trend coefficient which includes a productivity objective for a like-for-like scope of activity compared to the previous regulatory period. On average during the regulatory period, the allowed opex is increased by RPI + 1,04%, accounting for the required efficiency and new costs. TEREGA will keep all additional productivity gains or will bear additional costs which it may make outside of this trajectory during the regulatory period.

The regulatory framework also provides for the following incentives:

- bonus (whose amount and attribution will depend on the results of a cost/profit analysis conducted by CRE) applied to specific investments initiatives;

- incentives for TSOs to control the costs of their investment programs;

- the introduction of a "Totex Approach" for "non network" investments such as vehicles, property and IT systems. This mechanism envisages the definition of a trajectory for these capital expenses over the ATRT6 tariff period, and their exclusion from the CRCP. 100% of the gains or losses realised are kept by the TSO;

- incentives on the quality of service in areas deemed particularly important for the proper functioning of the market such as information provision.

The ATRT6 renews the expense and revenue regulatory account (CRCP) that makes it possible to cover all or part of the differences in expenses or revenue recorded on certain predefined items. In particular differences between forecasted and actual energy costs are covered at 80% via the CRCP. The reconciliation of this account's balance is performed by reducing or increasing the income to be collected through the tariffs.

The transmission tariffs change on 1 April of each year on the basis of the following principles:

- consideration of the authorised income trajectory laid down for four years and consisting of:
  - the capital expenses trajectory defined by CRE;
  - the operating expenses trajectory set by CRE which changes each year based on inflation and a predefined coefficient; and
  - updating the "Energy and CO2 quotas" item;
- updating of capacity subscription assumptions;
- reconciliation of a quarter of the overall balance of the CRCP;
- changes in tariff structure decided by CRE, in particular to reduce the number of marketplaces and implement the European network codes.

CRE orientations are towards a further simplification of the contractual structure of the French natural gas market with the creation of a single market place expected in 2018.

TEREGA – Storage

Starting from 2018, the storage capacity sale of TEREGA is carried out under a regulated regime. This new regime defines an allowed revenue which is recovered through an auction mechanism process with a reserve price equal to 0€/MWh. In case the allowed revenue is not met by the revenues deriving from the auctions, a compensation mechanism through the transmission tariff is applied. Storage obligations at national level for the natural gas sellers were confirmed. The current regulatory period will last for 2 years (2018 and 2019) and the rate of return on the RAB has been set at 5.75% in real terms before tax.

Underground storage facilities are subject to mining law and can only be operated under a concession regime. The holders of underground gas storage concessions must operate them in a manner compatible with the safe and effective functioning of the interconnected natural gas networks.

Decree No. 2006-1034 of 21 August 2006, regarding access to underground natural gas storage, as subsequently integrated by the Decree No. 2014-328 of 12 March 2014 and Arrêté of 31 July 2017), sets the conditions for the allocation of storage capacities, in particular defining storage obligations at national level and giving the possibility for shippers to comply using alternatives to French storage sites such as storage in other EU countries, production fields or LNG plants.

TEREGA publishes its access offers in a transparent and non-discriminatory manner. All of the protocols and contracts are sent on to the French climate and energy authority (DGEC) and to the CRE, who supervise on transparency and non-discrimination.

Interconnector UK (IUK)

Until September 2018, Interconnector UK has operated in an exempted regulatory regime with long-term "ship or pay" transportation contracts.

From October 2018, the company operates in compliance with European regulation. The company has requested and obtained derogations from the CAM and the TAR codes allowing for a higher flexibility in transport capacity offering, necessary in order to effectively operate as interconnector. In addition to Prisma auctions, in April 2018 IUK started offering capacity products also with Implicit Allocation Mechanism to enhance its commercial offering and thus reduce commercial risks.

IUK provide gas transportation services under an interconnector license granted by the GB energy regulator Ofgem. The licence includes obligations to provide maximum capacity, offer terms for access and share

information. IUK's subsidiary, Interconnector Zeebrugge Terminal SCRL/CVBA, holds a gas transportation licence issued by the Ministry of Economic Affairs of Belgium.

TAG and GCA - Transmission

The transmission and distribution of natural gas in Austria are regulated by E-Control, the independent public authority in charge of regulating the Austrian electricity and gas markets.

Tariff regulation for Austrian TSOs started in 2007. The regulatory framework currently in place (third regulatory period) has been set for a four-year duration, from 1 January 2017 to 31 December 2020.

According to the approved methodology, revenues are calculated for each year of the regulatory period and the resulting average is taken into consideration in order to define the regulated tariffs. Allowed revenues and tariffs are so approved ex-ante by the regulator and applied for the entire four years' period.

Allowed revenues are calculated as sum of:

- return on RAB, as the sum of the equity and debt components;
- allowed depreciation based on useful technical life defined by the regulator;
- allowed operating expenses subject to efficiency targets via the application of a price-cap mechanism; and
- other allowed costs treated as pass-through, as for example energy costs, without efficiency targets.

The allowed remuneration is based on the determination of a regulatory asset base (RAB) differentiated in an equity financed share and a debt financed share, with also a different treatment applied for old RAB (including only assets activated before 2012) and new investments (comprising assets activated since 2012). Coherently with the RAB calculation, cost of equity and cost of debt are treated separately and applied respectively to the equity RAB share and debt RAB share (no single WACC). The tariffs are calculated based on planned costs and a fixed booking situation (defined by June 2012 capacity bookings).

The regulatory parameters in place in the current regulatory period envisage:

- a cost of debt equal to 2,70% rate nominal pre-tax and a cost of equity equal to 5,42% real pre-tax plus a 3,5% capacity risk premium (to cover the risk in a decrease of future bookings) totaling a Return on Equity real pre-tax equal to 8,92%;
- two asset categories with differing useful life: "pipelines" and "compressor & other assets" (these account for new investments respectively to 30 and 12 years and have different values for old assets specific for each TSO);
- annual operating expenses of the year 2015 (rebased to 2017) are projected for the following four years according to an RPI-X formula, using a 1,94% inflation rate and a productivity factor of 2,45% per annum. The average of such projected costs is then considered in the cost basis. In addition, cost savings coming from the reduction of the number of TSOs in Austria have been considered in the cost base through a profit sharing mechanisms (so-called "IRAB");
- for certain cost items (e.g. CAPEX and energy costs) differences between planned and actual costs are reconciled within the tariff calculation of the following regulatory period;
- for new investments carried out during the regulatory period, a premium of 0.8% on the Cost Equity is applied for the duration of the third regulatory period;
- surplus revenues from auctions, interruptible capacities and oversubscription are not taken into account in the cost base but are treated separately: auctions and excess capacity use revenues should be accrued and used in future capacity expansion, if not used they are recognised as cost reducing item or provided for investments in following regulatory period; 25% of revenues from interruptible and 90% of the net revenues from oversubscription stay with the TSOs.

The 2012 booking situation constitutes the floor for the third regulatory period and for the following periods ("minimum booking situation"). The risk of under recovery due to booking levels below the "minimum booking situation" is meant to be covered by the capacity risk premium plus an individual risk premium in a fixed amount specific for each company.

GCA – Distribution

The overall regulatory framework currently in place for the calculation of costs and tariffs for the distribution business of GCA (so-called 'cost-plus regulation') is very similar to the regulatory framework applicable to the transmission business described above and differs from the incentive regulation applied to the other DSOs for the second regulatory period (2013-2017). Such difference in treatment mainly derives from the fact that the distribution system of GCA is categorised as "level 1" (high pressure network) with no connection to end customers.

The allowed costs are determined as the sum of return on RAB, depreciation, operating costs, reconciliation between actual and forecasted revenues and other allowed costs. According to the methodology the starting point for the determination of allowed costs of year Y are the audited financial accounts of the year Y-2.

The total allowed costs based on the audited financial account of the year Y-2 are transformed into the cost base for year Y by applying a productivity factor (as cost reducing item) and inflation factor (as a cost increasing item).

The RAB is mainly based on residual book values and the depreciation is calculated according to the regulatory asset lives defined by E-Control. In particular, for pipelines a standardised regulatory useful life of 40 years is defined. For remaining assets, the useful life as provided by the national accounting rules (Austrian GAAP) also serves as the useful life for the calculation of regulatory depreciation.

The regulatory return on the RAB currently applied is based on a WACC equal to 6.42% pre-tax.

Assets attributed to the so called "South Pipeline" (a major investment project in the Austrian distribution system) are subject to a special treatment regarding (i) a risk premium on return leading to a WACC of 6.64% pre-tax, (ii) a separate calculation of depreciation and (iii) immediate consideration of capex in the allowed costs without a two year delay as for the other investments.

The adoption of the new regulatory framework for the next regulatory period is expected by the end of the year.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

ITALIAN TAXATION

The following is an overview of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Noteholder: as a consequence they should consult their tax advisers as to the consequences under Italian tax law and under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Securities, including in particular the effect of any state, regional or local tax laws.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This overview does not describe the tax consequences for an investor with respect to Notes that provide payout linked to the profits of the Issuer, profits of other company of the group or profits of the business in relation to which they are issued.

With reference to each issue of Notes, a tailored tax section regarding such issue will be included in the relevant Final Terms.

Interest and other proceeds from Notes that qualify as bonds or instruments similar to bonds

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) from notes issued, inter alia, by companies listed on an Italian regulated market, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the "risparmio gestito" regime – see "*Capital Gains Tax*" below), (b) a non-commercial partnership, pursuant to article 5 of the Italian Income Consolidated Code ("**TUIR**") (with the exception of general partnership, limited partnership and similar entities) (c) a non commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income (other than capital gains) ("Interest") relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26%. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**").

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation ("IRES"), generally levied at the rate of 24%. Banks and other financial institutions will be subject to an additional corporation tax levied at the rate of 3.5%. In certain circumstances, subject to the "status" of the Noteholder, also regional tax on productive activities ("**IRAP**") may apply. IRAP is generally levied at the rate of 3.9% while banks or other financial institutions will be subject to IRAP at the special rate of 4.65%; in any case regions may vary the IRAP rate by up to 0.92%.

If an investor is resident in Italy and is an open-ended or closed-ended investment fund subject to the tax regime provided by Law No. 77 of 23 March 1983 (the "**Fund**"), a SICAV or a SICAF 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* but must be included in the management results of the Fund accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 ("**Decree 351**"), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the "**Real Estate SICAFs**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *Società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "**Intermediary**") as subsequently amended and integrated.

An Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; 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 the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. If Interest on the Notes are not collected through an Intermediary or

any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include Interest in their yearly income tax return and subject them to a final substitute tax at a rate of 26%.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an institutional investor that is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest accrued during the holding period, when the Noteholders are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy. The *imposta sostitutiva* may be reduced by applicable double tax treaty, if any.

In order to ensure gross payment, non-Italian resident investors must be the beneficial owners of the payments of interest, premium or other proceeds and (a) deposit, directly or indirectly, the Notes or the coupons with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 an Italian resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or a non-Italian resident bank or SIM which are 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*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy 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.

Interest and other proceeds from Notes not having 100 per cent. capital protection guaranteed by the Issuer

In case Notes representing debt instruments implying a "use of capital" do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and/or they give any right to directly or indirectly participate in the management of the relevant Issuer or of the business in relation to which they are issued and/or any type of control on the management, Interest in respect of such Notes may be subject to a withholding tax, levied at the rate of 26%.

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 pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities), (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.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be

exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes not having 100 per cent. capital protection guaranteed by the Issuer if such Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

In the case of non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, the withholding tax may be reduced by the applicable double tax treaty, if any.

Capital Gains Tax

Any gain obtained from the disposal of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the disposal of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26%. Under some conditions and limitations, Noteholders may set off losses with gains. In respect of the application of the *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 taxation of capital gains realised by Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the relevant Noteholder pursuant to all disposals of the Notes carried out during any given tax year. These Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay *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. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 ("**Decree No. 66**"), capital losses realised from 1 January 2014 to 30 June 2014 may be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92% of the same capital losses.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each disposal of the Notes (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as subsequently amended, "**Decree No. 461**"). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being made timely in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each disposal of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a disposal of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January 2014 to 30 June 2014 may be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92%, of the same capital loss. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

(c) Any capital gains realised or accrued by Italian Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26% substitute tax, to be paid by the managing

authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Decree No. 66, investment portfolio losses accrued from 1 January 2014 to 30 June 2014 may be set off against investment portfolio profits accrued as of 1 July 2014 for an overall amount of 76.92% of the same investment portfolio loss. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by a Noteholder which is a Fund (as defined above), a SICAV or a SICAF will be included in the results of the relevant portfolio accrued at the end of the tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are transferred on regulated markets.

Capital gains realised by non-Italian resident Noteholders not holding the Notes through a permanent establishment in Italy from the disposal of Notes not transferred on regulated markets are not subject to the *imposta sostitutiva*, *provided that* the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the disposal of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26%.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, who may benefit from a double taxation treaty with Italy providing that capital gains

realised upon the disposal of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the disposal of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law of a direct lineage or after relatives-in-law of a collated lineage up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

(c) any other transfer, in principle, is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate, mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (b) private deeds are subject to registration tax only in case of use (*caso d'uso*), explicit reference (*enunciazione*) or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the securities deposited therewith. As of 1 January 2014, stamp duty applies at a rate of 0.20% and, for taxpayers different from individuals, cannot exceed €14,000. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the securities held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the securities outside the Italian territory are required to pay an additional tax at a rate of 0.20% for each year.

This tax is calculated on the market value of the securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the

Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

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.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(a) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, 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.

(b) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), 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 Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. 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 Relibi Law will be subject to a withholding tax at a rate of 20%.

THE PROPOSED EUROPEAN UNION FINANCIAL TRANSACTION TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal 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 the 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.

Joint statements issued by participating Member States indicate an intention to implement the FTT.

However, the FTT proposal remains subject to negotiation between participating Member States. 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 the Notes are advised to seek their own professional advice in relation to the EU FTT.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions including the Republic of Italy have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such Notes, including those Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

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 31 October 2018, agreed with the Issuer the 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.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States 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 U.S. 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.

If Category 1 is specified in the Final Terms the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the Securities Act.

If Category 2 is specified in the final Terms 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 except in accordance with regulation S of the Securities Act. 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.

Prohibition of sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**); and

(b) the expression an **offer** includes 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.

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:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) 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 and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) (i) in relation to any Notes which have a maturity of less than one year, 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;

(b) 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

(c) 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 has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident 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.

Republic of Italy

The offering of the Notes has not been registered with CONSOB 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:

(a) be 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. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirements imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

France

Each of the Dealers 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 Base Prospectus, 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) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-4 of the French *Code monétaire et financier.*

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes,

and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

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 and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 2 October 2018.

Approval of Base Prospectus, Admission to Trading and Listing 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 2014/65/EU).

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 in hard copy from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

(a) the By-laws (*statuto*) (with an English translation thereof) of the Issuer;

(b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2017 (with an English translation thereof) together with the auditors' reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the condensed interim consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2018 (with an English translation thereof), which were subject to a limited review by the auditors, together with the auditors' report prepared in connection therewith;

(d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(e) a copy of this Base Prospectus;

(f) a copy of the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 9 October 2017; and

(g) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website atwww.bourse.lu.

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 Brussels. 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 the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been (i) no significant change in the financial or trading position of the Snam Group since 30 June 2018 and (ii) no material adverse change in the financial position or prospect of the Issuer or the Snam Group since 31 December 2017.

Litigation

Save as disclosed in the section entitled "*Description of the Issuer - Material Litigation*" at pages 101 to 106 of this Base Prospectus and at pages 243 to 251 and at pages 264 to 270 in the annual reports to the financial statements of the Issuer in respect of the financial years ended, respectively, 31 December 2016 and 31 December 2017, neither the Issuer nor any other member of the Snam 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 Snam Group.

Independent Auditors

On the proposal of the Board of Statutory Auditors, the Shareholders' Meeting of Snam of 24 April 2018 conferred the appointment: (i) for the external audit of the financial statements for the year and the consolidated financial statements; (ii) for verifying, during the course of the financial year, the correct keeping of the company accounts and correct recording of the operating events in the accounts; and (iii) the limited audit of the accounts of the half-yearly report, on the independent auditing firm PricewaterhouseCoopers S.p.A. for the period 2018 to 2026. The same Shareholders' Meeting, after having consulted with the Board of Statutory Auditors, resolved the mutual termination of the appointment conferred in April 2010 on the independent auditing firm EY S.p.A., in office, therefore, until approval of the financial statements for the year ended on 31 December 2017. PricewaterhouseCoopers S.p.A. is authorised and regulated by MEF and registered on the special register of auditing firms held by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Via Monte Rosa 91, Milan, 20149, Italy.

EY S.p.A. have audited the consolidated financial statements of Snam S.p.A. and its subsidiaries as of and for the years ended 31 December 2016 and 2017, in accordance with International Standards on Auditing (ISA Italia). EY S.p.A. are authorised and regulated by the MEF and registered on the special register of auditing firms maintained by the MEF.

Post-issuance information

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, 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 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 that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in 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 may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes parent companies.

ANNEX 1 - FURTHER INFORMATION RELATED TO INFLATION LINKED NOTES

The Issuer can issue Notes which are linked to an index pursuant to the Programme, where the underlying index is the CPI or the Eurozone Harmonised Index of Consumer Prices excluding Tobacco as defined below.

"*CPI or ITL - Inflation for Blue Collar Workers and Employees - Excluding Tobacco Consumer Price Index Unrevised*" means, subject to the Conditions, the "*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*" as calculated on a monthly basis by the *ISTAT - Istituto Nazionale di Statistica* (the "**Italian National Institute of Statistics**") (the "**Index Sponsor**") which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), *provided that* for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the inflation Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the "**HICP**") is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States' individual harmonised index of consumer prices excluding tobacco ("**Individual HICP**"). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th - 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are "price updated" to December of the previous year.

More information on the HICP, including past and current levels, can be found at: http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction.

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