BASE PROSPECTUS

A2A S.p.A.

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

Euro 4,000,000,000
Euro Medium Term Note Programme

Under this Euro 4,000,000,000 Euro Medium Term Note Programme (the **Programme**), A2A S.p.A. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 4,000,000,000 (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. By approving this Base Prospectus, the CSSF gives no undertaking as to the economic or financial opportuneness of the transactions contemplated by this Base Prospectus or the quality and solvency of the Issuer in accordance with the provisions of 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 (as defined under "*Important Information*" below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive.

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 will be filed with the CSSF. Copies of Final Terms in relation to Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and listed on the Official List of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, or a drawdown prospectus or a new base prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer has been rated "Baa2" (long term) with a "stable" outlook by Moody's Investor Service Ltd. (**Moody's**) and "BBB" (long term) and "A-2" (short term) with a "stable" outlook by S&P Global Ratings (**Standard & Poor's**). The Programme has been rated "(P)Baa2" by Moody's and "BBB" by Standard & Poor's, acting through S&P Global Ratings Europe Limited, France Branch. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Floating Rate Notes will be calculated by reference to LIBOR, EURIBOR or CMS Rate, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR and CMS Rate) is included in register of administrators maintained by the European Securities and Markets Authority (ESMA) under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in the ESMA's register of administrators under Article 36 of the Benchmarks Regulation.

As far as the Issuer is aware, as at the date of this Base Prospectus the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of EURIBOR is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Co-Arrangers

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

Dealers

Banca Akros S.p.A. Gruppo Banco BPM
Banco Bilbao Vizcaya Argentaria, S.A.
BNP PARIBAS
Crédit Agricole CIB
Goldman Sachs International
Morgan Stanley
Banca IMI
Barclays
Citigroup
Deutsche Bank
Mediobanca
MUFG

Natixis	**Société Générale Corporate & Investment Banking**
UBI Banca	**UniCredit Bank**

The date of this Base Prospectus is 20 November 2018.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, Prospectus Directive means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In respect of information in this Base Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

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

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, 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 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 Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

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

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

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction (see "*Subscription and Sale*").

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Presentation of Financial Information

The Group's financial information as at and for (i) the years ended 31 December 2016 and 31 December 2017 and (ii) the six month period ended 30 June 2018, included in this Base Prospectus has been derived from the audited consolidated annual financial statements and the half-yearly financial report at 30 June 2018 (the **Interim Report at 30 June 2018**) for the corresponding periods. Such consolidated financial statements are incorporated by reference herein (see "*Documents Incorporated by Reference*") and have been prepared in accordance with:

- Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); and

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

The accounting principles applied in preparing the Group's audited consolidated annual financial statements as at and for the year ended 31 December 2017 are the same as those used to prepare the Group's audited consolidated annual financial statements as at and for the year ended 31 December 2016, except for the principles specified in the section headed "*Accounting principles, amendments and interpretations applied by the company from the current year*" of the Group's consolidated annual financial statements as at and for the year ended 31 December 2017, incorporated by reference herein (see "*Documents Incorporated by Reference*").

The Group's figures as at and for the year ended 31 December 2016 were restated to reflect the final allocation of purchase price in accordance with IFRS 3 revised with regard to the acquisition of LGH S.p.A. and Consul System S.p.A. (for further information see Note "*Other Information – 3) Transactions as per IFRS 3 Revised"* of the audited consolidated annual financial statements as at and for the year ended 31 December 2017.

The accounting principles applied in preparing the Group's Interim Report at 30 June 2018 are the same as those used for the preparation of the Group's unaudited consolidated interim financial statements for the corresponding periods of the previous year, except for the principles specified in the section headed "*Changes in international accounting standards*" of the Interim Report at 30 June 2018, incorporated by reference herein (see "*Documents Incorporated by Reference*").

The values at 30 June 2017 have been restated following the change in the consolidation method of the Elektroprivreda Crne Gore AD Nikšić (**EPCG**) group which, due to the exercise of the put option on the entire shareholding package held by A2A, the effectiveness of which was finalized on 3 July 2017, lead to a change in the allocation of the investment held in EPCG from ongoing investment to investment intended for

sale in accordance with the provisions of IFRS 5.Investors should refer to the consolidated financial statements which are incorporated by reference herein (see "*Documents Incorporated by Reference*") to inform themselves regarding the purposes, and the manner of preparation, of such consolidated financial statements.

Alternative Performance Measures

This Base Prospectus and the documents incorporated by reference contain certain alternative performance measures (**APMs**) which differ from the IFRS-EU financial indicators adopted by the Group and presented in the audited consolidated annual financial statements as at and for the years ended, respectively, 31 December 2017 and 31 December 2016, the unaudited consolidated interim financial statements as at 30 June 2018 (which are included in the Interim Report at 30 June 2018) and the press release dated 13 November 2018 headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" relating to the certain unaudited consolidated interim data of A2A for the nine month period ended 30 September 2018.

Such APMs are extracted directly from, respectively, the audited consolidated annual financial statements as at and for the years ended, respectively, 31 December 2017 and 31 December 2016, the unaudited consolidated interim financial statements as at 30 June 2018 (which are included in the Interim Report at 30 June 2018) and the press release dated 13 November 2018 headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" and are useful to present the results more efficiently and to analyse the financial performance of the A2A Group. In particular, AMPs, as well as comparatives with the previous period, are included, *inter alia*, in the section headed "*Consolidated results and report on operations*" of the report on operations for the financial year ended 31 December 2017 (the **Report on Operations 2017**) and the Interim Report at 30 June 2018.

On 3 December 2015, CONSOB (*Commissione Nazionale per le Società e la Borsa*, the Italian securities and exchange commission) issued Communication No. 92543/15 that acknowledged the Guidelines issued on 3 October 2015 by ESMA concerning the presentation of APMs disclosed in regulated information and prospectuses published as from 3 July 2016 (the **Guidelines**). The Guidelines – which update the previous CESR Recommendation (CESR/05-178b) – are aimed at promoting the usefulness and transparency of APMs in order to improve their comparability, reliability and comprehensibility. In addition, ESMA also published a Questions and Answers (Q&A) document on the Guidelines, last updated on 30 October 2017, to promote common supervisory approaches and practices in the application of the Guidelines.

In line with the Guidelines, the definitions, contents, basis of calculation and criteria used to construct the APMs adopted by the A2A Group are described below.

Gross operating income (or EBITDA or Gross operating margin)

Gross operating income (otherwise referred to as **EBITDA**) is an operating performance indicator, calculated as "Net Operating Income" (otherwise referred to as **EBIT**) plus "Depreciation, amortization, provisions and write-downs".

This APM is used by A2A as financial target in presentations both within the A2A Group (business plans) and externally (such financial analysts and investors presentations); it represents a useful measure to assess the operating performance of the A2A Group (both as a whole and in terms of individual Business Unit), also through a comparison between the operating results of the reporting period with those relating to previous periods or years. Furthermore, such measure allows A2A to conduct trend analysis and compare internal efficiency performance over time.

Result from non-recurring transactions

The **Result from non-recurring transactions** is an alternative performance indicator designed to highlight the capital gains/losses arising from the valuation at fair value of non-current assets sold and the results from the sale of equity investments in unconsolidated subsidiaries and associated companies and other non-operating income/expenses.

This indicator is placed between net operating income and the financial balance. In this way, net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

This APM is used by A2A as a measure for the evaluation of the performance associated with non-current assets and liabilities held for sale (or disposal groups) of the A2A Group in internal presentations (business plans) and in external presentations (such as analysts and investors presentations).

Net fixed capital

The **Net fixed capital** is determined as the algebraic sum of:

- tangible assets;
- intangible assets;
- investments accounted for using the equity method and other non-current financial assets;
- other non- current assets and liabilities;
- deferred tax assets and deferred tax liabilities;
- provisions for risks, charges and liabilities for landfills;
- employee benefits.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure for the evaluation of net fixed assets of the A2A Group as a whole, also through the comparison of the reporting period with those of the previous periods or years. Furthermore, such measure allows A2A to conduct analyses on operational trends and measure performance in terms of operational efficiency over time.

Working capital

The **Working capital** is calculated as the algebraic sum of:

- inventories;
- trade receivables and other current assets;
- trade payables and other current liabilities;
- current tax assets and tax liabilities.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure of the ability to generate cash flow from operations within a period of twelve months, also through the comparison

between the reporting period with those relating to previous periods or years. Furthermore, such measure allows A2A to conduct trend analysis and compare internal efficiency performance over time.

Capital employed / Net capital employed

The **Capital employed/Net capital employed** is calculated as the sum of Net fixed capital, Working capital and Assets/Liabilities held for sale.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure for the evaluation of total net assets, both current and fixed.

Sources of funds

The **Sources of funds** are calculated as the sum of the "Equity" and "Total net financial position".

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents the various sources by means of which the A2A Group is financed and the degree of autonomy that the A2A Group has in comparison with third party capital. Furthermore, it measures the financial strength of the A2A Group.

Net Financial Position/Net debt

Net Financial Position/Net debt is an indicator of the financial structure, calculated as the sum of net financial position beyond one year and net financial position within one year. Specifically, total net financial position beyond one year is obtained from the algebraic sum of:

- Total medium and long-term debt: the item includes the non-current portion of Bonds, Bank loans, Finance leases and Other non-current liabilities;

- Total medium and long-term financial receivables: this item contains Non-current financial assets (including those with related parties) and Other non-current assets.

Total current net debt is calculated as the algebraic sum of:

- Total short-term debt: the item includes the current portion of Bonds, Bank loans, Finance leases, Current financial liabilities with related parties and Other current liabilities;

- Total short-term financial receivables: this item includes Other current financial assets (including those with related parties) and Other current assets;

- Cash and cash equivalents and Cash and cash equivalents included in assets held for sale.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors) and it is useful for the purposes of measuring the Group's financial debt, also through the comparison between the reporting period with those relating to previous periods or years.

The A2A Group net financial position is calculated pursuant to CONSOB Communication no. DEM 6064293 of 28 July 2006 and in accordance with the ESMA/2013/319 Recommendation.

Investments in tangible and intangible assets (or Gross investments or Capex in tangible and intangible assets)

The **Investments in tangible and intangible assets** (otherwise referred to as **Gross investments**) are calculated as Investments on property, plant and equipment, intangible assets, as may be inferred by the information included in the Notes to the Balance Sheet.

This APM is used by the A2A Group as a financial target in in presentations both within the Group (business plans) and external (presentations to financial analysts and investors) and is a useful measure of the resources used in the maintenance and development of the investments of the A2A Group (as a whole and in terms of individual Business Unit), also through the comparison between the reporting period with those relating to previous periods or years. This allows A2A to conduct analyses on investment trends and measure performance in terms of operational efficiency over time.

Investors should not place undue reliance on these APMs and should not consider any APMs as: (i) an alternative to operating or net profit as determined in accordance with IFRS; (ii) an assessment of the Group's ability to meet cash needs alternative to as deduced from the cash flow from operating, investing or financing activities (as determined in accordance with IFRS); or (iii) an alternative to any other performance indicator provided by IFRS.

The APMs described above have been derived from historical financial information of the A2A Group and are not intended to provide an indication on the future financial performance, financial position or cash flows of the A2A Group itself. Furthermore, such APMs have been calculated consistently throughout the periods for which financial information is presented in this Base Prospectus.

APMs presented in this Base Prospectus, in the consolidated annual financial statements as at and for the years ended 31 December 2016 and 2017, the Interim Report at 30 June 2018 and the press release dated 13 November 2018 headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" (each of which incorporated in this Base Prospectus, see "*Documents incorporated by Reference*") should be also read in conjunction with the financial information presented or incorporated by reference in this Base Prospectus and derived from the audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 and the Interim Report at 30 June 2018.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in the section headed "*Terms and Conditions of the Notes"* or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below.

Presentation of Other Information

In this Base Prospectus:

- all references to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars;
- all references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- certain figures have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them;
- certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Forward-Looking Statements

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

CONTENTS

Clause **Page**

STABILISATION

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.

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, including the documents incorporated by reference, and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, or a drawdown prospectus or a new base prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

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

Issuer:	A2A S.p.A.
Issuer Legal Entity Identifier (LEI):	81560076E3944316DB24
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include, among others, risks relating to changes to the overall economic situation caused by the economic crisis; risks relating to the revision of tariffs in the waste, water and energy sectors; operational risks; credit risks; liquidity and funding risks; interest rates risks; rating risks; risks relating to the legal proceedings; risks relating to the structure of the Group; risks relating to rendering concessions necessary for the Group to continue to engage in the business described in this Base Prospectus; and risks relating to changes in the regulatory and legislative framework within which the Group operates. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arrangers:	Banca IMI S.p.A., BNP Paribas and Mediobanca – Banca di Credito Finanziario S.p.A.
Dealers:	Banca Akros S.p.A. Gruppo Banco BPM 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 Deutsche Bank AG, London Branch

	Goldman Sachs International Mediobanca – Banca di Credito Finanziario S.p.A. Morgan Stanley & Co. International plc MUFG Securities EMEA plc Natixis Société Générale UniCredit Bank AG Unione di Banche Italiane S.p.A. and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to Euro 4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may, from time to time, increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency, provided that the minimum maturity will be at least one year and one day.
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 and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes will have a minimum interest rate and may also have a maximum interest rate. 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.
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.
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 and save that the minimum denomination of each Note will be Euro 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Issuer Call	The applicable Final Terms may provide that the Issuer may,

	having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.
Clean-Up Call	The applicable Final Terms may provide that, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 15 (*Further Issues*) remains outstanding, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.
Relevant Event Put:	The applicable Final Terms may provide that, upon the occurrence of a Put Event (as described below), Notes will be redeemable at the option of the Noteholders upon giving notice to the Issuer on a date or dates specified prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Final Terms. A Put Event will be deemed to have occurred if any of (A) a Change of Control, a Concession Event or a Sale of Assets Event (each a Relevant Event, as described in Condition 6.5) occurs, (B) at the time of the later of the first public announcement and the occurrence of the Relevant Event, the Notes carry from any Rating Agency, a Rating Event (as defined in Condition 6.5) occurs, and (C) in making the relevant decision relating to the Rating Event (as defined in Condition 6.5), the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision resulted, in whole or in part, from the Relevant Event.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme has been rated "(P)Baa2" by Moody's and "BBB" by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such CRA Regulation. Notes issued under the Programme may be rated or unrated by anyone or both rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Approval, 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

	(*Meetings of Noteholders and Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including, without limitation, the United Kingdom, France, Belgium and the Republic of Italy), and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

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

These are the principal risks that the Issuer considers to be material; however, there may be additional risks of which the Issuer is not currently aware or that may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate, and any of these risks could also have a negative effect on the ability of the Issuer to fulfil its obligations under the Notes. Furthermore, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer and the Group.

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.

Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry(ies) in which it operates together with all other information contained in this Base Prospectus, including in particular, the risk factors described below, and any document incorporated by reference herein. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the documents incorporated by reference, and reach their own views, based upon their own judgement and upon advice from such financial, legal, tax and other professional advisers as they deem necessary, prior to making any investment decisions.

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

Risks related to the Issuer and/or the Group

The changes to the overall economic situation caused by the economic crisis or factors outside A2A's control pose potential risks to the Group's business

The Group's main areas of activity include the production, sale and distribution of electricity, the sale and distribution of gas, the production, distribution and sale of heat through district heating networks, the management of waste and the management of integrated water cycles. It is from such activities that the Group derives most of its revenues. The consumption of electricity and gas is generally related to gross domestic product. The global economic and financial crisis in 2007 and the one that occurred in the Eurozone countries in 2011 was characterised by a deterioration of the macroeconomic conditions that has led to a contraction in consumption and industrial production worldwide. In the first half of 2016, the global economy showed a modest recovery and this trend has consolidated in 2017 and in the first half of 2018, although at a slightly slower rate. In the second half of 2018 political uncertainty in Italy has caused an increase in spread on government bonds and it cannot be excluded that in the near future this might adversely affect the stability of the Italian financial system and potentially also of the European one. Moreover, the current context of the energy markets in which the production plants operate, with specific reference to the

thermoelectric plants, is evolving in a moderately positive sense both because of an improvement in the overall economic scenario and of the evolution of national and international energy contexts. However, the risk that this trend may be interrupted or be subject to a reversal remains and, in case of shrinking demand of energy and/or in sales margins scenario, A2A could incur lower sales volumes of electricity and natural gas and, as a consequence, a reduction of the overall sales margins. Furthermore, sales volumes may differ from the supply volumes that A2A had expected to utilise from electricity purchase contracts. Differences between actual sales volumes and supply volumes may require A2A to purchase additional electricity or sell excess electricity, both of which are themselves subject to market conditions, which may change according to multiple factors, including weather, plant availability, transmission congestion and input fuel costs. The purchase of additional electricity or sale of excess electricity on unfavourable terms could adversely affect the business, results of operations and financial condition of A2A.

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

Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)

The UK's decision to withdraw from the European Union may have a negative effect on global economic conditions, financial markets and the Group's business

On 23 June 2016, the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union. On 29 March 2017, the UK delivered to the European Council notice of its intention to withdraw from the EU, pursuant to Article 50 of the Treaty on the European Union. The delivery of such notice started a two-year period during which the UK is negotiating with the EU the terms of its withdrawal and of its future relationship with the EU (the "**article 50 withdrawal agreement**"). If the parties fail to reach an agreement within this time frame, all EU treaties cease to apply to the UK, unless the European Council, in agreement with the UK, unanimously decides to extend this period. As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020. Absent such extension and subject to the terms of any article 50 withdrawal agreement, the UK will withdraw from the EU no later than 29 March 2019. There are a number of uncertainties in connection with such negotiations, including their timing, and the future of the UK's relationship with the EU. It therefore remains uncertain whether the article 50 withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 29 March 2019 deadline.

In addition, the UK's decision to withdraw from the EU has also given rise to calls for the governments of other EU member states to consider withdrawal. The possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict the Group's access to capital.

Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that the UK's departure from the EU and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on the business of the Group. As such, no assurance can be given that

such matters would not adversely affect the business prospects, financial condition, results of operations of the Issuer and the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

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

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, co-generation and waste-to-energy plants, distribution networks and plants. These plants and networks are exposed to risks that can cause significant damage to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical and/or electrical breakdown of or damage to equipment or processes, accidents and labour disputes that are beyond the control of A2A; they may result in increased costs, compensation to users of the grid that suffered service interruptions exceeding the maximum thresholds set by the competent energy authority and other losses. Furthermore, any of these risks could cause damage or destruction to the Group's facilities and, in turn, injuries to third parties or damage to the environment, along with ensuing lawsuits and penalties imposed by the relevant Authorities. Additionally, service interruptions or malfunctions — or casualties or other significant events — could result in the Group being exposed to litigation, which could generate obligations to pay damages. Prevention and control activities designed to contain the frequency of such events or minimise their impact require the adoption of high security standards, as well as frequently scheduled equipment overhauls, contingency planning, emergency procedure, maintenance and back-up of components needed to guarantee operational continuity and the adoption of advanced software and sensors for calculating the actual yield of the plants. When appropriate, adequate risk management policies and *ad hoc* industrial insurance policies help to minimise the potential consequences of such damaging events.

The Issuer believes that its systems of prevention and protection within each Group operating area, which takes into account, *inter alia*, the frequency and gravity of the particular events, and which provides, among others, for the renegotiation of service contracts and on-going maintenance plans, for the backup electrical networks, for the replacement of critical components/components that have reached the end of their technical life, for the implementation of automation systems, for the availability of strategic spare parts and its use of tools for transferring risk to the insurance market enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its owned or managed plants or networks. However, should the risk management policies prove to be inadequate to prevent or mitigate any such risks and should the insurance coverage prove to be inadequate to fully offset the cost of paying the relevant damages, the occurrence of one or more of the events described above, or other similar events, could have a material adverse effect on the business prospects, results of operations and financial condition of A2A and the Group, thus affecting the Issuer's ability to fulfil its obligations under the Notes.

Failure to properly manage energy risk (including commodity price risk) could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes

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

The competent corporate bodies of A2A periodically set forth the commodity risk limits for the Group, namely the maximum level of variability in the result arising from changes in energy commodity prices. In accordance with the Group's energy risk policy, the competent internal committee ensures compliance with these limits and, where necessary, defines the hedging strategies aimed at bringing the risk within set limits.

The Issuer centrally manages the risk of fluctuation in the price of raw materials, by constantly monitoring the entire exposure of the Group's portfolio (including both positions on the physical market for energy products and positions held in energy derivatives) and by applying a netting process thereto.

However, any remote failure to properly manage this risk, including through the Group's central risk management exposure hedging/netting function, which is aimed, through the use of futures contracts and other hedging techniques, at stabilising cash flows generated by the Group's asset portfolio and outstanding contracts, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

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

Credit risk represents A2A's exposure to potential losses that could be incurred if a commercial or financial counterparty fails to meet its obligations. This risk arises primarily from economic/financial factors (i.e., where the counterparty defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.). The Group's exposure to credit risk is mainly due to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. To control this risk, a central Group credit policy regulates the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of suitable reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Standard default interest is charged on late payments, in accordance with applicable law and the underlying supply contracts. Notwithstanding the foregoing, a single default by a major financial counterparty, or a significant increase in current default rates by counterparties generally, could adversely affect the business, results of operations and financial condition of the Issuer and the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Liquidity and funding risks

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

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

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

Interest rate risk

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

A2A enters into interest rate derivative transactions to effectively manage the balance between fixed and floating rate debt. Such derivatives are evaluated at fair value on the basis of market prices provided from specialised sources. There can be no guarantee that the hedging policy adopted by the Issuer, which is designed to minimise any losses connected to fluctuations in interest rates, will actually have the effect of reducing any such losses. To the extent it does not, this may have an adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

Ratings risk

As at the date of this Base Prospectus, the long-term debt credit rating assigned to A2A is "Baa2" (stable outlook) by Moody's and "BBB" (stable outlook) by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published on the European Securities and Markets Authority website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

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

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

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

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

In addition, the Issuer's credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by Standard & Poor's and Moody's, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers, such as the Issuer, and increase the likelihood that the credit rating of Notes could be downgraded, with a consequent adverse effect on the market value of the Notes and/or a consequent adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

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

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

Risks from acquisitions, integration and business combination

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

The process of integration may require additional investments and expenses. Failure to successfully integrate investments could have a materially adverse effect on the Group's business, financial condition and results of operations, which could have an adverse impact on the Issuer's ability to fulfil its obligations under the Notes.

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

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

Certain companies within the Group are parties to a number of disputes and civil, administrative and tax proceedings, as well as some criminal and arbitral proceedings, arising in the ordinary course of the Group's business (for further information see "*Description of the Issuer – Legal proceedings*", below). In addition to

existing provisions accrued as of the balance sheet date to account for certain ongoing proceedings, it is possible that in future years the Group may incur significant losses in addition to amounts already accrued in connection with pending legal claims and proceedings due to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses. Adverse outcomes in existing or future litigation could have adverse effects on the financial position and results of operations of the Group and consequently an adverse impact on the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Risks relating to the structure of the Group

The Issuer is organised as an operating parent company, owing real estate properties and assets in the hydro electricity generation sector (while, following the Group's reorganisation carried out during 2016, thermoelectric assets belong to operating subsidiaries) and managing part of its diversified core business principally through wholly owned subsidiaries, also due to unbundling legislation.

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

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

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

Risks relating to the industries in which the Group operates

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

The Group's business is affected by atmospheric conditions such as the average temperatures influencing overall customer consumption needs. Moreover high temperatures in warmer months could cause interruptions of electricity supply because of higher power demand. In particular, significant changes in weather conditions from year to year may affect demand for natural gas and electricity, with demand in colder winters and hot summers being typically higher. Weather changes may produce significant differences in energy demand and the Group's sales mix (for example, low wind or rain levels) and further affect the Group's production from certain renewable sources. In addition, the Group's operations involve hydroelectric generation in Italy as well as drinking water distribution and, accordingly, the Issuer is dependent upon hydrological conditions prevailing from time to time in the geographic regions where the relevant hydroelectric generation facilities are located or drinking water is distributed. Hydrological droughts or other changes in conditions that negatively affect the Group's hydroelectric generation business could adversely affect the Group's business, financial position and results of operations.

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

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

The Issuer is a regulated utility company, operating its activity under, inter alia, the jurisdiction of the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia, Reti e Ambiente* – **ARERA**)[2], which itself operates according to Italian and European laws, regulations and guidelines. The Group therefore operates its business in a political, legal, and social environment, which is expected to continue to have a material impact on the performance of the Group. Changes in applicable legislation and regulation, whether at a national or European level, and the manner in which they are interpreted, could negatively impact the Group's earnings and operations, both through the effect on current operations and through the impact on the cost and revenue-earning capabilities of current and future planned developments in the business. Such changes could include changes in the procedure for awarding and/or renewing of concessions and contracts granted to or entered into with the Group's operating companies, changes in the mechanisms of remuneration for electricity and gas supplier companies, changes in tariffs charged by such companies for their services, changes in the determination of any indemnities or compensation payments due to the Groups' companies in case of termination or loss of concessions, changes in environmental or safety or other workplace laws or changes in regulation of cross border transactions, changes in brand unbundling regulations and more in general changes that the Italian Government may consider in the overall regulatory framework of the infrastructures, utilities, energy and natural resouces sectors. Furthermore, public policies related to energy, energy efficiency and/or air emissions might impact the overall market, particularly the governmental and/or regulated sectors (i.e. sectors in which an entity may operate subject to concessions, licenses, authorisations, permits, or similar instruments granted by regulatory, legal, administrative, tax and other authorities and agencies), such as those in which the Group operates.

Any new or substantially altered law, regulation, guideline or standard relating to the sectors in which the Group operates may adversely affect the Group's revenues, profits and general financial condition and therefore have a consequent adverse impact on the market value of the Notes and/or a consequent adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

Risks relating to tenders for new gas distribution concessions

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

As at 31 December 2017 the Group managed the gas distribution and measurement services for around 302 municipalities, including Milan, Brescia, Bergamo, Varese, Cremona and Lodi through more than 11,180 km of gas distribution grids with more than 1.5 million connected users.

The gas market is regulated by Legislative Decree no. 164/00 of 23 May 2000 (the **Letta Decree**), which has been amended several times since its entry into force, also with reference to the distribution of gas. In particular, according to the Letta Decree the distribution of gas is provided by operators identified with public bids organised at a level over the municipality and within minimum territorial areas (so-called ATEM) that were defined by the Ministerial Decrees of 19 January 2011 and 18 October 2011. Such public bids must follow the rules dictated by the Ministerial Decree No. 226 of 12 November 2011, as amended and integrated by Ministerial Decree No. 106/2015 and by the Law No. 124/2017 (the **Tender Criteria Decree**). The substitution of one operator with another operator must ensure the protection of the workforce, as set out

[2] The Law No. 205 of 27 December 2017 (2018 Budget Law) extended the regulatory and control powers of the Authority for Electricity, Gas and the Water System (AEEGSI which changes its name to ARERA) to the waste cycle, including differentiated waste, urban and similar ones.

in Ministerial Decree of 21 April 2011, and a fair compensation must be recognised to the outgoing operator for the goods, which will be available to the new operator. Several laws and regulations enacted since the Letta Decree and the Tender Criteria Decree have affected the tender procedures and the determination of the compensation payment payable to the outgoing concessionaire. Uncertainty still persists as to how the new concession system will function and how the authorities granting the concessions and the Italian courts will interpret such legislation. In addition, there is uncertainty as to timing of completion of the tender procedures as most of them are subject to administrative trials, with the consequence that the relevant award timing is suspended.

No assurances can be given that A2A and its subsidiaries will be awarded concessions for the areas they currently operate, or if awarded, that they will be subject to the same or more favourable overall conditions (fees and planned investments combined) than the current ones. Notwithstanding any compensation received by A2A or its subsidiaries where it loses a concession, if A2A or its subsidiaries are not awarded concessions for the major territorial areas where they are currently the market leader or if they are awarded such concession but on less favourable terms, there could be a negative impact on the Issuer's operations, results, balance sheet and cash flow and on the Issuer's ability to fulfil its obligations under the Notes.

With particular reference to the tender for the concession of the natural gas distribution service in the "Milan 1 - City and Plant of Milan" ATEM that consists of a total of over 830,000 redelivery points active in Milan city area and in six neighbouring municipalities, on 5 September 2018, A2A's subsidiary Unareti S.p.A. (**Unareti**) was notified of the award of this tender with an overall score of 98.12 points out of 100 (for further information, see "*Description of the Issuer – Description by Business Unit – Networks and Heat Business Unit – Networks – Electricity networks and Gas networks*") . However, on 8 October 2018, the competitor of Unareti in the context of the above tender filed a petition before the Administrative Regional Court (*Tribunale Amministrativo Regionale*) of the Lombardy Region challenging the award of the concession to Unareti (for further information, see "*Description of the Issuer – Legal Proceedings" and "Description of the Issuer – Significant events after 30 June 2018 – Award of the tender for Milan 1 – City and Plant of Milan ATEM and related litigation*" below). As at the date of this Base Prospectus, it is not possible to anticipate the outcome of such proceeding and if the competent Courts' rulings does not reject in whole the competitor's claims, it cannot be excluded that there could be a negative impact on the Group and/or the Issuer's operations, results, balance sheet and cash flow and on the Issuer's ability to fulfil its obligations under the Notes.

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

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

Decreases in tariffs could adversely affect the Group's business, results of operations and financial condition, with a consequent adverse impact on the market value of the Notes and/or a consequent adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

The Group's regulated activities are dependent on, and governed by, concessions. Any loss of concession currently held by the Group may adversely affect the Group's business, results of operations and financial condition

The Group's regulated activities are dependent on concessions from local authorities (in the case of integrated water service, gas distribution, waste management, and public lighting and hydroelectric plants) and from national authorities (in the case of electricity distribution) that vary in duration across the Group's business areas. Each concession is governed by agreements with the relevant grantor requiring the relevant

concession holder to comply with certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for the non-performance or default under the relevant concession. Failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left unremedied, lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. However, in the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession-agreement. Regarding the indemnity due to the former concession holder, there is often a dispute between the parties regarding the quantification of the indemnity. Litigation in this respect is frequent and can have an impact on the Group's business plan, the Group's activity and on the Issuer's ability to fulfil its obligations under Notes.

In the case of expiry of a concession at its stated maturity date as well as in the case of early termination for any reason (including failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate the concession until it is replaced by the new incoming concession holder.

No assurances can be given that the Group will enter into new concessions in the area in which it operates and/or in new areas to permit it to carry on its core business after the expiry or termination of each relevant concession or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions. The Group's failure to enter into new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, could have an adverse impact on the Issuer's ability to fulfil its obligations under Notes.

Retendering for large hydroelectric concessions may adversely affect the Group's business, results of operations and financial condition

Article 12 of Legislative Decree no. 79/1999 (the **Bersani Decree**), as last amended by Law Decree no. 83 of 22 June 2012 (the **Development Decree**), converted into law by Parliament Law n. 134 of 7 August 2012 defines, *inter alia*, the general criteria for all large water concessions tenders and sets out the criteria to evaluate the level of compensation due to former concession holders in exchange for any relevant assets transferred when they lose the concession. Article 37 of the Development Decree has modified Article 12, paragraph 1 of the Bersani Decree, providing that five years before the expiration of a large water concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the level of investment required. The criteria taken into consideration in assigning the concession shall be principally the pecuniary offer made in order to acquire the use of the water resources and the commitment to increase the installed power or the energy produced, but shall also include the improvement and environmental restoration of the relevant catchment area, the territorial compensation measures and the extent and quality of the plan of actions set out in order to ensure conservation of the reservoirs' capacity.

It must be taken into account that the implementation rules for the tender itself have not yet been established by the competent governmental and regional bodies. Consequently, uncertainty exists with respect to the timing and the modalities by which the expired concessions will be actually granted as well as with respect to the conditions under which the outgoing concession holder can carry on operating the power plants until a new concession is assigned to a new operator. Article 12 of the Bersani Decree, as amended by Article 37, further provides that the outgoing concession holder has to transfer to any new concession holder its relevant business branch. The consideration to be paid to the outgoing concession holder should consist of an amount previously agreed between the outgoing concession holder and the relevant authority and expressly indicated in the tender notice. In order to compensate the outgoing concession holder for any investments made on the

plants, such amount should be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the revalued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. In the absence of such agreement, an independent body composed of three qualified and independent members should establish the amount. In addition, uncertainty exists about the level of compensation which the outgoing concessionaire could obtain if the principles established by Article 37 are modified. A delay in determining and paying such amount may affect the Issuer's ability to fulfil its obligations under the Notes.

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

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

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

Compliance with these requirements requires the Group to incur significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Group may incur significant environmental expenses and liabilities

The Group's operations could cause potential negative effects on the environment and health of the population living in the areas where plants and facilities are located, with particular reference to power generation processes, management of hazardous and non hazardous waste, supply of basic goods such as potable water, the maintenance and emptying of the reservoirs of water resources for the production of electricity. To minimize these potential risk events, the Group has set up different protection measures including, *inter alia*, the design and construction of storage sites for waste materials, the presence of barriers enabling to detect and restrain pollution phenomena, continuous emission monitoring systems, upgrading and strengthening investments for wastewater purifier plants, identification of facilities for the treatment and disposal of landfill leachates. In addition, the Group has adopted a policy for the quality, environment and safety of the A2A Group, which is implemented through an Environmental Management System according to ISO14001 standard (about 20 certified companies, including the Issuer) and EMAS scheme (more than 20 registered sites). In addition, the Issuer was involved in the updating process of the organisational and management model provided by Legislative Decree No. 231 of 8 June 2001 (governing the administrative liability of legal entities) in order to prevent environmental crimes committed in the interest of the Issuer. By the first half of 2018 the Issuer and the most relevant subsidiaries have updated their organisational and management models including additional environmental crimes introduced by the Law No. 68 of 22 May 2015. In the second half of 2018, further subsidiaries are expected to update their model including recently acquired subsidiaries. Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented or under implementation throughout the Group to ensure the safety of its operations are of

a high standard, it is always possible that incidents such as blow-outs, spill-over, contaminations and similar events could occur that would result in damage to the environment, workers and/or local communities.

The Group has accrued risk provisions to face all existing environmental liabilities whereby either a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reliably estimated. The accrued amount represents management's best estimates of the future environmental expenses to be incurred. Notwithstanding the foregoing, it is possible that in the future the Group may incur significant environmental expenses and liabilities in addition to the amounts already accrued owing to (i) unknown contamination, (ii) the results of ongoing surveys or surveys that will be carried out in future on the environmental status of certain of the Group's industrial sites as required by the applicable regulations on contaminated sites and (iii) the possibility that disputes might be brought against companies belonging to the Group in relation to such matters. In addition, the Group has taken out insurance policies against environmental damages, with the aim of covering additional environmental risks. However, the insurance cover may prove to be insufficient to cover such risks. This could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Information technology risk

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. In particular, the Group uses information technology systems to record, process and summarise financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information and personally identifiable information of customers, service providers and employees, in data centres and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Issuer’s business operations. Increased information technology security threats and more sophisticated computer crime pose a risk to the security of the Group’s systems and networks and the confidentiality, availability and integrity of its data.

The continuous development of "Information & communication technology" (**ICT**) solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems help to mitigate these risks. In addition, to limit the risk of activity interruption caused by a system fault, the Issuer has adopted hardware and software configuration for those applications that support critical activities, which are periodically subject to efficiency testing. Specifically, the Group has completed the transportation activities of the Milan Data Center at the infrastructure of an external supplier, thus taking a significant step forward in achieving higher levels of safety in terms of business continuity. Further activities have been started in order to increase the levels of reliability and continuity of supply of ICT services, such as the evaluation of alternative projects for infrastructure improvement of the Brescia Data Center.

Data confidentiality and security are subject to specific controls by the Group with internal policies and by means of tools to segregate access to information, as well as through specific contractual agreements with any third parties who may have to access information. In particular, additional access control systems for data centres have been implemented and a team dedicated to monitoring and preventing computer attacks to enterprise ICT systems has been setup. In addition, the Group carries out annual vulnerability assessments, both internally and externally.

While the Group actively manages information technology security risks within its control through the above security measures, business continuity plans and employee training around phishing and other cyber risks, there can be no assurance that such actions will be sufficient to mitigate all potential risks to the Group's systems, networks and data.

A failure or breach in security could expose the Group and its customers, service providers and employees to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data and operations disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorised release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve the Group may need to invest additional resources to protect the security of its systems.

A2A is considering implementing additional protection measures and entering into new insurance coverage for indirect business damages in connection with the interruption of ICT services. Nevertheless, there can be no assurance that serious system failures, network disruptions or breaches in security will not occur; any such failure, disruption or breach may have a material adverse effect on the Issuer's business, financial condition or results of operations with a consequent adverse impact on the market value of the Notes and/or a consequent adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

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

The Group has operated in Montenegro through the Montenegrin electricity company EPCG until 2017. On 1 July 2017, the A2A Group exercised the put option for the sale of all the shares owned by A2A equal to 41.75 per cent. of the share capital of EPCG expected to be completed by 2019 (for further information, see "*Description of the Issuer – Description by Business Unit – Foreign Business Unit and "Description of the Issuer – Further relevant information – Disposal of the stake held in EPCG*" below).

A2A could face different risks in case of new investments and / or acquisitions outside Italy, including risks related to differences in laws, policies and measures, regulatory requirements affecting trade and investment, differences in social, health, safety, political, labour, and economic conditions including foreign exchange rates, difficulties in staffing and managing foreign operations, and potential adverse foreign tax consequences. Negative conditions in these countries or other markets may adversely affect the Group's operating results and financial condition, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

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

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

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

- in its domestic natural gas business, where it faces increasing competition from both national and international natural gas suppliers. Increasingly high levels of competition in the Italian natural gas market could possibly entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to final clients in Italy, which could threaten the market position of companies like A2A which resell gas purchased from producing countries to final customers. In addition, there is a regulatory risk linked to the definition by the ARERA of the maximum price for residential clients who do not choose a free-market tariff.

These developments could have, over the time, a negative impact on the Group's operating profit, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risks related to increase in levels of taxes

As at the date of this Base Prospectus, A2A mainly operates in Italy, but it also conducts activites in other countries around the world and it cannot be excluded that in the future it may expand its activities in further countries. Any of these countries could modify their tax laws, regarding both income taxes and other kind of taxes, in ways that would adversely affect A2A's results of operations and its financial condition. The Group determines the taxation that it is required to pay based on interpretation of domestic and foreign tax laws and regulation applicable in the jurisdiction in which it operates. Adverse changes in the current tax regimes of any country in which A2A operates and in the application or official interpretation of laws, regulation or ruling may occur, regardless of the level of stability of the political and legislative framework in each country. These adverse changes would translate into negative impacts on A2As future results of operations and cash flows and may affect A2A's ability to service payment obligations arising from its indebtedness. Furthermore, the marginal tax rate in the gas and electricity industry may tend, in the long-term, to change in correlation with the price of crude oil and may prevent A2A to translate higher oil prices into its final sale price and it may therefore affect its net profits.

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

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes (but is not intended to be an exhaustive description):

Risks applicable to all Notes

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

An optional redemption feature 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 reinvestment risk in light of other investments available at that time.

Redemption for tax reasons.

If, as a result of a change in the applicable laws or regulations, the Issuer becomes obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or certain other relevant jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the Notes may be redeemed at the option of the Issuer in accordance with the Conditions. In such circumstances an investor may not be

able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

If the 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 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 then prevailing market rates and this 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.

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

If in respect of any issue of Notes there is a particular use of proceeds including Eligible Green Projects (as defined under "*Use of Proceeds*" below), this will be specified in the applicable Final Terms. Prospective investors should have regard to the information set out in such Final Terms regarding use of proceeds and must 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 the event that the Issuer decides to apply the proceeds from the issue of any Notes for Eligible Green Projects, no assurance can be given by the Issuer or the Dealers that the use of such proceeds for any Eligible Green Projects which have been defined in accordance with the broad categorisation of eligibility for green projects set out by the International Capital Market Association (ICMA) Green Bond Principles. 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, any Eligible Green Projects.

In addition, there can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects) will be capable of being implemented in or substantially in the manner described in the Final Terms and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such 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.

Furthermore, it should be noted that there is currently no clear 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 Green 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 project~~(s)~~ or use~~(s)~~ the subject of, or related to, any Eligible Green 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 Green 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 may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes or the projects financed or refinanced toward an amount corresponding the net proceeds of the relevant issue of Notes in the form of "Green Bonds". In addition, any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date it is released. 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.

Furthermore, in the event that 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, the Dealers 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, for example 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 Green Projects. Additionally, 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, the Dealers or any person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Eligible Green Projects, and/or the withdrawal of any opinion or certification as described above 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 by the Issuer to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used to finance or refinance green project.

As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Eligible Green Projects although the Issuer intends to publish such framework prior to the issuance of any Notes which specify that the relevant proceeds will be used for Eligible Green Projects.

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 and LIBOR) 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". Key international regulatory initiatives relating to the reform of benchmarks include IOSCO's Principles for Financial Benchmarks (the **IOSCO Principles**) and the Benchmarks Regulation. The IOSCO Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering (among other things) governance and accountability as well as the quality, integrity and transparency of benchmark design, determination and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Principles noted that there has been significant but mixed progress on implementation of IOSCO Principles but that as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future. In February 2016, IOSCO published a second review of the implementation of the IOSCO Principles by administrators of EURIBOR, LIBOR and the Tokyo Inter-Bank Offer Rate, which noted that the relevant administrators had been proactively engaged in addressing the issues raised by the first review and which sets out further recommendations for each administrator to strengthen the implementation of the IOSCO Principles. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applied from 1 January 2018, save for certain provisions which have applied from 30 June 2016 and certain amendments to Regulation (EU) No. 596/2014 which have applied from 3 July 2016. 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" (including EURIBOR and LIBOR): (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 result in, *inter alia*, adjustment to the terms and conditions, discretionary valuation by the Calculation Agent or other consequences in relation to the Notes linked to or referencing a "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the 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 (**FCA**), 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. In a further speech on 12 July 2018, the FCA emphasised that market participants should not rely on the continued publication of LIBOR after the end of 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. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the future discontinuance of LIBOR in making any investment decision with respect to any Floating Rate Notes referencing LIBOR.

Risks related to Notes generally

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

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

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

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

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

Investors who 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 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.

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

Delisting of the Notes

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

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

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

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

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

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

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

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

In general, European regulated investors are restricted under 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 (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Potential conflicts of interest with the Calculation Agent

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

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 auditors' report and audited consolidated annual financial statements as at and for the financial year ended 31 December 2017 of the Issuer including the information set out at the following pages:

Consolidated balance sheet	Pages 6 to 7
Consolidated income statement.....	Page 8
Consolidated statement of comprehensive income	Page 9
Consolidated cash-flow statement.....	Pages 10 to 11
Statement of changes in Group equity.....	Pages 12 to 13
Consolidated balance sheet pursuant to Consob Resolution No. 17221 of March 12, 2010	Pages 22 to 23
Consolidated income statement pursuant to Consob Resolution No. 17221 of March 12, 2010	Page 24
Notes to the consolidated annual report	Pages 25 to 144
Attachments to the notes to the consolidated annual report	Pages 146 to 158
Independent Auditors' Report.....	Pages 159 to 165

(b) the report on operations for the financial year ended 31 December 2017 (the **Report on Operations 2017**) including the information set out at the following pages:

Key figures of the A2A Group	Pages 9 to 26
Scenario and market	Pages 27 to 31
Evolution of the regulation and impacts on the Business Units of the A2A Group	Pages 33 to 72
Consolidated results and report on operations (other than the paragraph headed "*Outlook for operations*")	Pages 73 to 93
Analysis of main sectors of activities.....	Pages 95 to 114
Risks and uncertainties.....	Pages 115 to 127
Other information.....	Pages 133 to 135

(c) the auditors' report and audited consolidated annual financial statements as at and for the financial year ended 31 December 2016 of the Issuer including the information set out at the following pages:

Consolidated balance sheet	Pages 4 to 5

Consolidated income statement	Page 8
Consolidated statement of comprehensive income	Page 9
Consolidated cash-flow statement	Pages 12 to 13
Statement of changes in Group equity.....	Pages 14 to 15
Consolidated balance sheet pursuant to Consob Resolution No. 17221 of March 12, 2010	Pages 18 to 19
Consolidated income statement pursuant to Consob Resolution No. 17221 of March 12, 2010	Page 20
Notes to the consolidated annual report	Pages 22 to 181
Attachments to the note to the consolidated annual report	Pages 184 to 196
Independent Auditors' Report	Pages 197 to 199

(d) the half-year unaudited financial report as at 30 June 2018 (the **Interim Report at 30 June 2018**) of the Issuer including the information set out at the following pages:

Key figures of the A2A Group	Pages 7 to 21
Consolidated results and report on operations (other than the paragraph headed "*Outlook for operations*")	Pages 23 to 36
Consolidated balance sheet	Pages 40 to 41
Consolidated income statement	Page 42
Consolidated statement of comprehensive income	Page 43
Consolidated cash-flow statement	Pages 44 to 45
Statement of changes in Group equity	Pages 46 to 47
Detail of the balance sheet highlighting the first-time consolidation effect of 2018 acquisitions	Page 49
Consolidated balance sheet pursuant to Consob Resolution No. 17221 of March 12, 2010	Pages 50 to 51
Consolidated income statement pursuant to Consob Resolution No. 17221 of March 12, 2010	Page 52
Notes to the half-yearly financial report	Pages 53 to 133
Attachments to the note to the consolidated annual report	Pages 135 to 147
Evolution of the regulation and impacts on the Business Units of the A2A Group	Pages 149 to 169

Scenario and market	Pages 171 to 175
Results sector by sector	Pages 177 to 191
Risks and uncertainties	Pages 193 to 205
Independent Auditors' Report	Pages 213 to 214

(e) the consolidated disclosure of non-financial information in accordance with Italian Legislative Decree no. 254/2016 for the year ended 31 December 2017 (the **Integrated Report 2017**) of the Issuer including the information set out at the following pages:

The A2A Group and its business model	Pages 9 to 17
Governance	Pages 18 to 25
Sustainability strategy	Pages 26 to 41
Stakeholder engagement and materiality analysis	Pages 42 to 49
Financial capital	Pages 50 to 55
Manufacturing capital	Pages 56 to 69
Natural capital	Pages 70 to 87
Human capital	Pages 88 to 101
Intellectual capital	Pages 102 to 111
Relational capital	Pages 112 to 151
Independent Auditor's Report	Pages 153 to 155

(f) The press release headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" published by A2A on 13 November 2018 and available at https://s3-eu-west-1.amazonaws.com/a2a-be/a2a/2018-11/131118-Results-9M-2018.pdf: entire document other than the paragraph headed "*Outlook for operations*", including the information set out at the following pages:

Consolidated results at September 30, 2018	Pages 2 to 3
Results by Business Unit	Pages 3 to 6
Balance sheet	Pages 6 to 11
Financial position	Pages 12 to 14
Accounting standards and changes in the consolidation scope	Page 15
Alternative performance indicators (APIs)	Page 16

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein 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 will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

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** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

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

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

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

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

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for 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 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 (ii) the Issuer has been

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

The following legend will appear on all Notes (other than Temporary Global Notes) 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.

General

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 20 November 2018 and executed by the Issuer.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of Euro 100,000 (or its equivalent in any other currency) or more issued under the Programme.

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

[*Date*]

A2A S.p.A.

Legal entity identifier (LEI): 81560076E3944316DB24

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Euro 4,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 20 November 2018 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Issuer (www.a2a.eu). The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the

[3] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
4.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))* *(Note - where multiple denominations above [Euro 100,000] or equivalent are being used the following sample wording should be followed:* *"[Euro 100,000] and integral multiples of [Euro 1,000] in excess thereof up to and including [Euro 199,000]. No Notes in definitive form will be issued with a denomination above [Euro 199,000]")*
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)

6.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.		Maturity Date:	S*pecify date or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]]
8.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [Zero Coupon] (further particulars specified below)
9.		Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 12 and 13 below and identify there*][Not Applicable]
10.		Put/Call Options:	[Investor Put] [Relevant Event Put] [Issuer Call] [Clean-Up Call] [(further particulars specified below)] [Not Applicable]
11.		[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

12.		Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount

(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] 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)*
13.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate and Relevant Financial Centre:	[[ ] month [LIBOR/EURIBOR]/[CMS Reference Rate]. Relevant Financial Centre: [London/Brussels/*specify other Relevant Financial Centre*] Reference Currency: [ ] (*only relevant for CMS Reference Rate*) Designated Maturity: [ ] (*only relevant for CMS Reference Rate*) Specified Time: [ ] in the Relevant Financial Centre
	• Interest Determination Date(s):	[ ] *(in the case of LIBOR (other than Sterling or euro LIBOR)):* [Second London business day prior to the start of each Interest Period]

(in the case of Sterling LIBOR): [first day of each Interest Period]
(in the case of euro LIBOR or EURIBOR): [the second day on which the TARGET2 System is open prior to the start of each Interest Period]
(in the case of a CMS Rate where the Reference Currency is euro):[Second day on which the TARGET2 System is open prior to the start of each Interest Period]
(in the case of a CMS Rate where the Reference Currency is other than euro):[Second [*specify type of day*] prior to the start of each Interest Period]

- Relevant Screen Page: [ ]
(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(*In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

(g) ISDA Determination:

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

(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 cent. per annum

(j) Minimum Rate of Interest: [[ ] per cent. per annum] / [as set out in the Conditions]

(k) Maximum Rate of Interest: [ ] per cent. 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*)
14.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

15.	Notice periods for Condition 6.2 (*Redemption and Purchase – Redemption for tax reasons*):		Minimum period: [ ] days Maximum period: [ ] days
16.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount]/[Make-whole Amount] (*if Make-Whole Amount is selected, include the following items of this subparagraph)*
		• Reference Bond:	[*Insert applicable Reference Bond*/FA Selected Bond]
		• Quotation Time:	[11.00 a.m. [London/*specify other*] time]
		• Redemption Margin:	[[ ] per cent/Not Applicable]
	(c)	If redeemed in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised*

			to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (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)
17.	Clean-Up Call (Condition 6.4):		[Applicable/Not Applicable]
	(a)	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:		[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 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Relevant Event Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
20.	Optional Redemption Amount:		[ ] per Calculation Amount
21.	Final Redemption Amount:		[ ] per Calculation Amount
22.	Early Redemption Amount payable on redemption for taxation reasons or on		[ ] per Calculation Amount

event of default:

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] (*N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "*[*Euro 100,000*] *and integral multiples of* [*Euro 1,*000] *in excess thereof up to and including* [*Euro 199,000*]."
	(b) [New Global Note:	[Yes][No]]
24.	Additional Financial Centre(s):	[Not Applicable/*insert relevant financial centre*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 13(c) relates*)
25.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made. In such event, on and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]/[No]

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 A2A S.p.A.:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already committed to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[Not Applicable]/[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [*defined terms*] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation.] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.)

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

[*Need to include a description of any interest, including a conflicting interest, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*:

"Save for the fees [of [*insert relevant fee disclosure*]] 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 lending and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business[, in particular, [the/certain of the Managers/Dealers], have granted loans to the Issuer and/or certain affiliates of the Issuer, as the case may be, and part of the proceeds from the issue of the Notes may be used by the Issuer to repay such loans]"]/ [*Amend as appropriate if there are other interests*]

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

4. [REASONS FOR THE OFFER - USE OF PROCEEDS

Use of Proceeds:	[The net proceeds of the issuance of Notes will be applied by the Issuer to finance or refinance, in whole or in part, Eligible Green Projects, as set forth in "Use of Proceeds" in the Base Prospectus and as further specified on the Issuer's website at [ ]] (*Applicable only in case of securities to be classified as green bond. If not applicable, delete this paragraph*)

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ]

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

Details of historic [LIBOR/EURIBOR/*replicate other as specified in the Conditions*] rates can be obtained from [Reuters].

[Amounts payable under the Notes will be calculated by reference to [LIBOR / EURIBOR / CMS Rate] 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, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that as at [●] is not required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]]

7. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[ ]/Not Applicable]
(iv)	FISN	[[ ]/Not Applicable] *(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]

(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] **/** [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do not constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key*

		information document will be prepared, "Applicable" should be specified.)
(viii)	Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable]

SCHEDULE

TO THE FINAL TERMS

Further Information Relating to the Issuer

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

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

		[ ] each and reserves of Euro [ ].
6.	Base Prospectus:	Base Prospectus dated 20 November 2018, as supplemented from time to time.
7.	Date of resolution authorising the issue and date of its registration	Resolution dated [ ], filed with the Companies' Register of Brescia on [ ]. [*any other information required pursuant to article 2414 of the Italian Civil Code*]

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

(ii) any Global Note; and

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

The Notes 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 20 November 2018 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. 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 EEA.

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 are (a) 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 20 November 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). 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 or a Zero Coupon Note, 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 B 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 remain outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries (as defined in Condition 9 (*Events of Default*)) will, create or permit to subsist any mortgage, charge, lien, pledge, *garanzia reale* under Italian law or other security interest having a similar effect (each a **Security Interest**) upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) without, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, taking any and all necessary action to ensure that:

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

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

provided, however, that:

(i) the foregoing restrictions will not apply to (A) any Security Interest existing over the assets of a company which becomes a Material Subsidiary of the Issuer after the date of the relevant Final Terms where such Security Interest already exists at the time that such a company becomes a Material Subsidiary of the Issuer (provided that such Security Interest was not created in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer and provided further that the amounts secured have not been increased in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer) and (B) any Security Interest created in substitution of any Security Interest permitted under paragraph (i)(A) above over the same or substituted assets provided that the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest; and

(ii) nothing in this Condition shall prevent the Issuer or any of its Material Subsidiaries from creating or permitting to subsist any Security Interest to secure Relevant Indebtedness upon, or with respect to, any of its present or future assets (including receivables) or revenues or any part thereof which is created (A) pursuant to any securitisation, asset backed financing or like arrangement whereby all payment obligations in respect of the Relevant Indebtedness

or any guarantee of or indemnity in respect of the Relevant Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other indemnity, are to be discharged solely from such assets (including receivables) or revenues or (B) in connection with Project Finance Indebtedness incurred in the form of Relevant Indebtedness (as defined below).

For the purposes of these Conditions:

Group means the Issuer and its Subsidiaries;

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

Project means any project carried out, directly and/or indirectly, by an Person pursuant to one or more contracts for (i) the ownership, acquisition (in each case, in whole or in part), development, design, construction, upgrading, leasing, operation and/or maintenance of any asset(s) (including, without limitation, Concession(s) granted by public entities and/or authorities), infrastructure or businesses reasonably related thereto, incidental thereto or in furtherance thereof and/or (ii) the ownership and/or acquisition (in each case, in whole or in part) of any interest or equity participations in, or shareholder loans to, one or more Persons, directly and/or indirectly, holding and/or managing such assets, infrastructure or Concession(s) and/or operating such businesses, where any member of the Group has an interest in the Person (whether alone or together with other partners) and any member of the Group finances and/or refinances the investment required in the project with Project Finance Indebtedness, shareholder loans and/or such Person's share capital or other equity contributions.

Project Finance Indebtedness means any present or future Indebtedness for Borrowed Money (as defined in Condition 9.2) incurred to finance or refinance a Project where the recourse of the creditors thereof is limited to any or all of (a) the relevant Project (including, for the avoidance of doubt, the Concession(s) or assets related thereto and the cash flows arising therefrom), (b) the share capital of, or other equity contribution to, the Person or Persons developing, financing or otherwise directly or indirectly involved in the relevant Project, (c) the proceeds deriving from the enforcement of any security taken over all or any part of the assets relating to the Project (including, for the avoidance of doubt, any interest or equity participations in the relevant Person or Persons holding, directly and/or indirectly, the relevant assets or Concession(s) and/or operating the relevant business) and (d) other credit support (including, without limitation, completion guarantees and contingent equity obligations) customarily provided in support of such indebtedness, provided that, for the purposes of Condition 9.1(c), Project Finance Indebtedness shall not include sub-paragraph (d) above.

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 (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

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

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

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

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

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

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

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

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

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

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

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

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

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next

calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

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

In these Conditions, **Business Day** means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System (as specified below)) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) 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 TARGET2 System is open.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the specified Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

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

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

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

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

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

I. the offered quotation; or

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

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

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

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

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time (being 11.00 a.m. London time, in the case of a determination of the London inter-bank offered rate (**LIBOR**), or 11.00 a.m. Brussels time, in the case of a determination of the Euro-zone inter-bank offered rate (**EURIBOR**)) on the relevant Interest Determination Date specified in the applicable Final Terms, deposits in the Specified Currency for a period equal to that which would have been

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

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

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

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:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the

highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent as at the last preceding Interest Determination Date (though substituting, where a different specified Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the specified Margin relating to the relevant Interest Period in place of the specified Margin relating to that last preceding Interest Period).

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

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

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

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

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

Relevant Swap Rate means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**)) with a designated maturity determined by the Calculation Agent by reference to the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a

fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) 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 the Issuer determines to be appropriate.

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

(f) Notification of Rate of Interest and Interest Amounts

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

(g) Certificates to be final

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

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is

improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

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

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

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

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

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

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

5.2 Presentation of definitive Notes and Coupons

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

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

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

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

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 Payments in respect of Global Notes

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

5.4 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) in:

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

(ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;

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

5.6 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 6.6); 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 (which will be 100 per cent. of the nominal amount of the Notes) specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

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

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by a Director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the holders of Notes or Coupons.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal

amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

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

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

(b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

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

In the Conditions:

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

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

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

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

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

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

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

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

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

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

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

6.4 Clean-Up Call

If Clean-Up Call is specified as being applicable in the applicable Final Terms, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 15) remains outstanding, 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 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.

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

This Condition 6.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholders, such option being referred to as an **Investor Put** or a **Relevant Event Put**, as the case may be. The applicable Final Terms contains provisions applicable to any Investor Put or Relevant Event Put, as the case may be, and must be read in conjunction with this Condition 6.5 for full information on any Investor Put or Relevant Event Put, as the case may be. In particular the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If:

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

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

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

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

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

Any Put Notice (as referred to above) or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.5 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 6.5 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

For the purposes of Condition 6.5(b) above, a **Put Event** shall be deemed to occur if:

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

(b) at the time of the later of the first public announcement and the occurrence of the Relevant Event, the Notes carry from any Rating Agency either:

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

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the occurrence of the Relevant Event downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such

180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the later of the first public announcement and the occurrence of the Relevant Event an investment grade credit rating to the Notes

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

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

A **Change of Control** shall be deemed to occur if more than 50 per cent. of the share capital of the Issuer, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, is acquired by any Person or Persons Acting in Concert (other than Reference Shareholders);

A **Concession Event** shall be deemed to occur if at any time one or more of the Concessions (as defined below) granted to the Issuer or to any of its Material Subsidiaries is terminated (prior to the original stated termination date) or revoked in accordance with its terms or otherwise expires at its or their original stated termination date(s) and is not extended or renewed, and such Concession or, as the case may be, Concessions, taken together (in the case the termination of more than one Concession), constitute the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), provided that the *prorogatio* regime to which a Concession may be subject between its expiry at the relevant stated termination date and the extension, renewal or new award of such Concession will not constitute a Concession Event.

Rating Agency means S&P and/or Moody's and/or any other internationally recognised rating agency which has assigned a rating (which rating was originally solicited by the Issuer) to any of the Issuer and/or the Issuer's debt and/or the Programme, where **Moody's** means Moody's Investors Service Limited and **S&P** means S&P Global Ratings Services, a division of S&P Global Inc.

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

Concession means a written contract, an authorisation, a statutory provision or an administrative instrument or similar arrangements pursuant to which an entity is entrusted by one or more public national or local authorities or entities (such as, inter alios, ministries or municipalities) with the management of public services/utilities or services of public interest including, without limitation, environmental services (such as, inter alia, waste collection and treatment, and municipal cleaning), integrated water services, gas distribution and supply (including, inter alia, district heating and heat management), electricity generation and co-generation and electricity distribution and the construction (if any), management and operation of related plants and similar facilities.

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

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

6.6 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9 (*Events of Default*):

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

6.7 Purchases

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

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.5 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 6.6(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

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

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes 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) 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 thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payments – Payment Day*)); or

(d) 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

(e) 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; or

(f) where such withholding or deduction is imposed on a payment 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 any law implementing an intergovernmental approach thereto (collectively, **FATCA**).

As used herein:

(i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer become subject in respect of payments made by it of principal and interest on the Notes 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 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Payments – Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Payments – 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 the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) (other than, for the avoidance of doubt, Project Finance Indebtedness) of the Issuer or any Material Subsidiary (as defined below) becomes, or becomes capable of being declared, due and repayable prior to its stated maturity by reason of an event of default (however described) and otherwise than at the option of the Issuer; or (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) on the due date for payment and any such failure is not cured within any originally applicable grace period; or (iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) becomes enforceable; or (iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) of any person, provided that no such events under (i) to (iv) above shall constitute an Event of Default if (1) the Issuer or the relevant Material Subsidiary is contesting in good faith by all appropriate means, including, where applicable, in a competent court or before a competent arbitration panel, that the relevant Indebtedness for Borrowed Money (other than Project Finance

Indebtedness) or any such guarantee and/or indemnity is due and/or enforceable, as appropriate or (2) the aggregate Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) relating to all such events which shall have occurred and be continuing and, in the case of (iii) only the amount recovered or sought to be recovered, shall amount to less than Euro 50,000,000 (or its equivalent in any other currency or currencies); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purpose of a Permitted Reorganisation (as defined below) that, in the case of a Permitted Reorganisation relating to the Issuer, does not result in a Rating Downgrade (as defined below)) and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

(e) if (A) the Issuer, acting directly or through its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of the Group's business as it is at any given time (otherwise than for the purpose of a Permitted Reorganisation that, in the case of a Permitted Reorganisation relating to the Issuer, does not result in a Rating Downgrade), save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders (and provided that neither the occurrence of (1) a Concession Event nor (2) a Sale of Assets Event (each as defined in Condition 6.5) shall give rise to an Event of Default under this Condition 9.1(e)(A), or (B) the Issuer or any of its Material Subsidiaries stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent (for the purposes of this paragraph (e), a **substantial part** of any entity's business means a part of the relevant entity's business which accounts for 25 per cent. or more of the consolidated total assets and/or consolidated total revenues as determined by reference to the most recently available audited consolidated IFRS financial statements of the Issuer); or

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

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its

creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

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

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

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

9.2 Definitions

For the purposes of the Conditions:

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

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

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

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

all as more particularly defined in the Agency Agreement.

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

Permitted Reorganisation means any reorganisation carried out, without any consent of the Noteholders being required in respect thereof, in any one transaction or series of transactions, by any of the Issuer or any Material Subsidiary, by means of any reorganisation, merger, demerger, consolidation, reconstruction, contribution in kind, conveyance, sale, assignment, transfer, lease of, or any kind of disposal of all or any of its assets or its going concern or other similar arrangement (including, without limitation, leasing of the assets or going concern) while solvent and in which the Issuer or, as the case may be, such Material Subsidiary, is the continuing entity under which the

assets and liabilities of the Issuer or the relevant Material Subsidiary are assumed by the entity resulting from such reorganisation and, where the same involves the Issuer, such entity assumes the obligations of the Issuer in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such reorganisation;

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

A **Rating Downgrade** will be deemed to have occurred if, at the time of the later of the first public announcement and the effective date of the Permitted Reorganisation, the Notes carry from any Rating Agency either:

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

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

(iii) no credit rating, and no Rating Agency assigns within 90 days of the later of the first public announcement and the effective date of the Permitted Reorganisation an investment grade credit rating to the Notes,

provided that, in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the Permitted Reorganisation;

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

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

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

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

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

10. REPLACEMENT OF NOTES, 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 and Agent 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. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

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

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; 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 (*Payments – General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

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

12. EXCHANGE OF TALONS

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

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and are listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general

circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading 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 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 the second business day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

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

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

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

Italian law currently provides that such a meeting may be convened by the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon the request of any Noteholder(s) holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. If the meeting has not been convened following such request of the Noteholders, the same may be convened by a decision of the competent court in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such

meeting shall be held at such time as indicated in the notice of meeting and at such place as provided pursuant to Article 2363 of the Italian Civil Code.

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

The majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution will be one or more persons holding or representing at least two thirds of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; provided, however, that (A) certain proposals (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons) may only be sanctioned by a resolution passed at a meeting (including adjourned meetings as provided under Article 2415 of the Italian Civil Code) of Noteholders by the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting, *provided however that* a different majority (higher or lower depending on the circumstances and the amount of Notes represented at the meeting) may be required pursuant to Article 2369 paragraph 7, of the Italian Civil Code and (B) the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

Officers and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings but not participate or vote with reference to the Notes held by the Issuer. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, will be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

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 or the Agency Agreement which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law or with the provisions of the Issuer's By-laws (*statuto*) applicable to the convening of meetings, quorums and the majorities required to pass a resolution entered into force at any time while the Notes remain outstanding.

Any such modification shall be binding on the Noteholders and the Couponholders and 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 issue price, the amount and date of the first payment of interest thereon and the date from which 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, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 14 (*Meetings of Noteholders and Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholder's Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

17.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders 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. To the extent allowed by law, 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 Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes and the Coupons)

against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer appoints The Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY, United Kingdom or, if different, its registered office for the time being as its agent for service of process, and undertakes that, in the event of The Italian Chamber of Commerce and Industry for the UK ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer as stated in the applicable Final Terms, either:

(a) for its general corporate purposes, which include making a profit and/or refinancing existing indebtedness of the Issuer and/or of its subsidiaries; or

(b) to finance or refinance, in whole or in part, Eligible Green Projects (as defined below).

Only Tranches of Notes financing or refinancing Eligible Green Projects (referred to under (b) above) will be denominated "Green Bonds".

The list of Eligible Green Projects will be made available on the Issuer's website (www.A2A.eu) in the investor relations section prior to the Issue Date of each Series of Notes qualifying as "Green Bonds".

In case of project divestment, an amount equal to the net proceeds of the "Green Bonds" will be used to finance or refinance other Eligible Green Projects.

For the purposes of this section:

Eligible Green Projects means projects with a positive impact in terms of environmental sustainability, in accordance with the broad categorisation of eligibility for green projects pursuant to the then applicable "Green Bond Principles" set out by the International Capital Market Association.

DESCRIPTION OF THE ISSUER

OVERVIEW

A2A S.p.A. (**A2A** or the **Issuer**) and its consolidated subsidiaries (together, the **Group** or the **A2A Group**) form one of Italy's largest local utility groups, with more than 1.1 million customers and approximately Euro 5,796 million revenues and Euro 1,199 million EBITDA for the financial year ended 31 December 2017.

The Group's main areas of activity include the production, sale and distribution of electricity, the sale and distribution of gas, the production, distribution and sale of heat through district heating networks, the management of waste and the management of integrated water cycles and smart city projects. In particular, the Issuer operates in such segments of business through seven business units. In this respect, see also "*– The Issuer*" *and* "*– Group Structure and Business Model – Business Model*" below.

A2A is one of the most diversified players in terms of business mix, well positioned in all sectors in which it operates. In particular, A2A is a leading national energy producer, with approximately 8.6 GW installed and a production mix geared towards renewable sources, for which hydroelectricity represents around a quarter of installed capacity. In Italy, A2A is the leader in environmental services and district heating; it is one of the largest operators in electricity distribution networks and among the leading players in gas; in the environmental sector, A2A is the first player in terms of electricity production by waste-to-energy plants.[4] In particular, in the environmental sector, A2A Ambiente S.p.A. (**A2A Ambiente**) is one of the largest companies in the waste disposal sector in Italy by EBITDA[5]. Moreover A2A has become the fourth largest electricity generation operator in Italy by installed capacity.[6]

Consolidated results as of 31 December 2017

In 2017, the consolidated turnover reached Euro 5,796 million, increasing by 19 per cent. compared to the previous year (Euro 4,860 million in 2016 restated financial statements). The contribution to the increase in revenues was for approximately 30 per cent. due to the consolidation of Linea Group Holding S.p.A. (**LGH**) and its consolidated subsidiaries (collectively, the **LGH Group**), the consolidation of companies acquired in the second half of 2016 and in 2017, as well as the change in the consolidation method of Azienda Servizi Valtrompia S.p.A, Patavina Technologies S.r.l., LumEnergia S.p.A., EPCG, Bellisolina S.r.l. and A2A Rinnovabili S.p.A.. Apart from these changes, the increase in revenues (+11 per cent.) is mainly attributable to higher revenues from the sale of electricity and gas on the wholesale markets and higher sales of electricity on the Italian Power Exchange (**IPEX**) following the higher volumes brokered and the rising prices recorded in 2017 compared to 2016.

As at 31 December 2017, Consolidated EBITDA amounted to Euro 1,199 million, with a Euro 37 million increase compared to 2016 (+3.2 per cent.). Net of non-recurring items recorded in the two comparison periods (Euro 129 million in 2016 and Euro 64 million in 2017) the Group recorded an increase in gross operating income of Euro 102 million compared to 2016 (+10 per cent.).
The consolidated net operating income, amounting to Euro 710 million, increased by Euro 267 million compared to 2016 (Euro 443 million at 31 December 2016).

The cash flow generated in 2017 was positive and amounted to Euro 337 million, after the payment of dividends for Euro 153 million and Group investments of Euro 454 million (inclusive of the contribution of

[4] Source: A2A elaboration based on public available data.
[5] Source: A2A internal elaboration of public available information.
[6] Source: elaboration from data sourced from public websites and ARERA (*Autorità Regolazione Energia, Reti e Ambiente*) data.

EPCG for about Euro 4 million). This cash generation partially offset the effects related to M&A transactions and the change in the consolidation method of EPCG, thereby resulting in a net financial position at the end of 2017 of Euro 3,226 million (Euro 3,136 million at 31 December 2016). The net financial position/EBITDA reported ratio went from 2.55x in 2016 to 2.66x in 2017. The EBITDA reported is a measure that includes the result from discontinued operations.

Interim Consolidated results as of 30 June 2018

As at 30 June 2018, the consolidated EBITDA amounted to Euro 657 million (+3.1%) benefitting from the 2017 and 2018 acquisitions, as well as from the strong organic growth reported by the Generation and Market business units. The increase in gross operating margin before non-recurring items is equal to Euro 39 million (+6.6%), from Euro 592 million in the first half of 2017 to Euro 631 million in the first half of 2018.

Group net profit in the first half of 2018 rose by Euro 110 million (+70%) compared to the first half of 2017, reaching Euro 267 million (Euro 157 million in the first half of 2017).

The put option exercised on 1 July 2017 in respect of the stake held in EPCG (for further information, see "*Disposal of the stake held in EPCG*" below) significantly influenced the Group net profit in the first half of 2017, with a negative impact of Euro 95 million. In 2018, the put option agreement was renegotiated, resulting into a positive effect of Euro 4 million on Group net profit in the first half of 2018. In addition, the equity investment in Rudnik Uglija ad Pljevjia coal mine was sold, generating a capital gain of Euro 6 million.

Excluding the aforementioned effects, related to the Montenegro equity transactions, the Group net profit from continuing operations increased by Euro 6 million, rising from Euro 251 million the first half of 2017 to Euro 257 million.

As at 30 June 2018, the net financial position amounts to Euro 3,030 million improving by Euro 196 million compared to 31 December 2017 (Euro 3,226 million), after capex of Euro 187 million and dividends payment of Euro 180 million.

THE ISSUER

Overview

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

A2A's terms of incorporation shall last until 31 December 2100, subject to extension. Pursuant to Article 4 of its by-laws, the corporate objects of A2A is to carry out, either directly or through investment companies and entities, activities in the field of research, production, supply, transportation, transformation, distribution, sale, use and recovery of energy resources and of integrated water cycle. The Company may also carry out activities in the field of other network services, including the installation, maintenance, connection and testing of telecommunications systems, as well as provide public services in general and carry out activities instrumental, connected and ancillary to those indicated above, including services in the field of waste collection, treatment and disposal and of urban and environmental hygiene in general. In these fields, the Issuer may also carry out activities regarding study, consulting and design, except for activities expressly reserved by law. The Issuer may perform any and all transactions, deemed necessary or useful for the attainment of its corporate purpose; it may execute, *inter alia*, real and personal property, commercial,

industrial and financial transactions and any transaction which is connected to the achievement of its corporate purpose, except for the collection of savings from the general public and the carrying out of reserved activities under Legislative Decree No. 58 of 24 February 1998. In addition, the Issuer may acquire interests and equity investments in other companies or businesses, both Italian and foreign, whose corporate purpose is similar, connected or ancillary to A2A's one and may grant securities and/or personal guarantees to secure obligations connected with the conduct of corporate business also to the benefit of subsidiaries and/or affiliate entities and companies.

As at the date of this Base Prospectus, A2A has a paid-up share capital of Euro 1,629,110,744.04 divided into No. 3,132,905,277 ordinary shares having a nominal value of Euro 0.52 each. The ordinary shares of A2A are listed on the *Mercato Telematico Azionario*, the screen based market of the Italian Stock Exchange (Borsa Italiana S.p.A.) and is included in the FTSE Mib (**Blue Chips**) and in the FTSE Italia All-Share Utilities super-sector index. As at the date of this Base Prospectus, A2A had a market capitalisation of approximately Euro 4.7 billion.

History and developments

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

After the Merger, A2A undertook a significant rationalisation / reorganisation process, which led to:

- the conversion of most of its financial interests (so called "peripheral assets") into industrial assets: in June 2008, A2A had in its balance sheet Euro 3.3 billion of financial investments (such as TdE/Edison, Endesa Italia, Edipower, etc.), which were progressively converted into industrial assets and fully consolidated within, and managed by the Group (for example, the stake in Endesa Italia was converted into the Monfalcone thermoelectric plant and hydroelectric facilities in Calabria);
- the divestment of non-core activities; and
- internal rationalisation / reorganisation, through the reduction of the overall number of Group companies.

In the recent past, A2A carried out:

1) the acquisition of a 51 per cent. stake in the share capital of LGH on 4 August 2016. LGH is the multi-utility of Cremona (AEM), Pavia (ASM), Lodi (ASTEM), Rovato (COGEME) and Crema (SCS/SCRP) operating in the environment (including the complete waste management cycle, from collection and transportation to disposal and recovery of recyclable materials, using both LGH-owned and leased equipment), energy (including production and sale of electricity, district heating, sale and distribution of natural gas, sale of photovoltaic systems) and telecommunication ITC (Internet and broadband, ICT, data centre, voice, data) sectors;
2) the aggregation project involving A2A, Lario Reti Holding S.p.A., ASPEM S.p.A., Azienda Energetica Valtellina Valchiavenna S.p.A. and ACSM-AGAM S.p.A. relating to a common development project to be carried out in the northern area of Lombardy, having as main purpose the sharing of strategic guidelines of growth aimed at achieving commercial, industrial and operative synergies, through a corporate and industrial reorganisation.

For further information on recent transactions carried out by the Group see also " – *Further relevant information*" and " – *Significant events after 30 June 2018*" below.

STRATEGY

On 20 March 2018, the Board of Directors of A2A approved the Group's 2018-2022 strategic plan (the **Strategic Plan**) with the aim of improving the positive results of the 2015-2017 strategic plan mainly relating to the repositioning of A2A as modern multi utility company and market leader in environment, smart networks and new energy sectors, capable of seizing any business opportunities that will open up in the "green economy", "smart cities" and "smart grid" sectors.

The Strategic Plan focuses on three strategic guidelines (*TEC*) as follows.

1. *T – Transformation*: strengthening and change of the reference businesses, included in the four business lines of A2A;
2. *E – Excellence*: organizational agility, operational excellence and process efficiency;
3. *C – Community*: attraction and valorization of the Group's people, and full involvement of the external ecosystem.

The three guidelines are supported by a strong basis represented by sustainability, the inspiring principle of development.

T - Transformation

In the five-year 2018-2022 period, the Group is expected to make significant effort to undertake, in each business area, the transformation actions necessary to respond to market trends and to lead the Group to face 2030 challenges.

E – Excellence

In the five-year 2018–2022 period, a considerable commitment is expected to focus on operational excellence issues. Starting from the positive experience of the EN&A Project, focused on the efficiency levers, the Mistral Project has been launched. Mistral, focusing on operational excellence improvement, is expected to work on the bottom-up redesign of processes also through the transformation of the managerial culture (*agile* organization).

The Strategic Plan envisages investments in digitalization and technological innovation in this Plan, reaching over Euro 500 million cumulatively in five-year period, comprising around 20 per cent. of the Group's total investments.

C – Community

In the next 5 years, A2A is expected to pay a clear attention to the context in which it operates, intended both as internal community (people working at the Group) and as external community, the ecosystem that continuously encounters the Group and that increasingly requires sharing, collaboration and joint development.

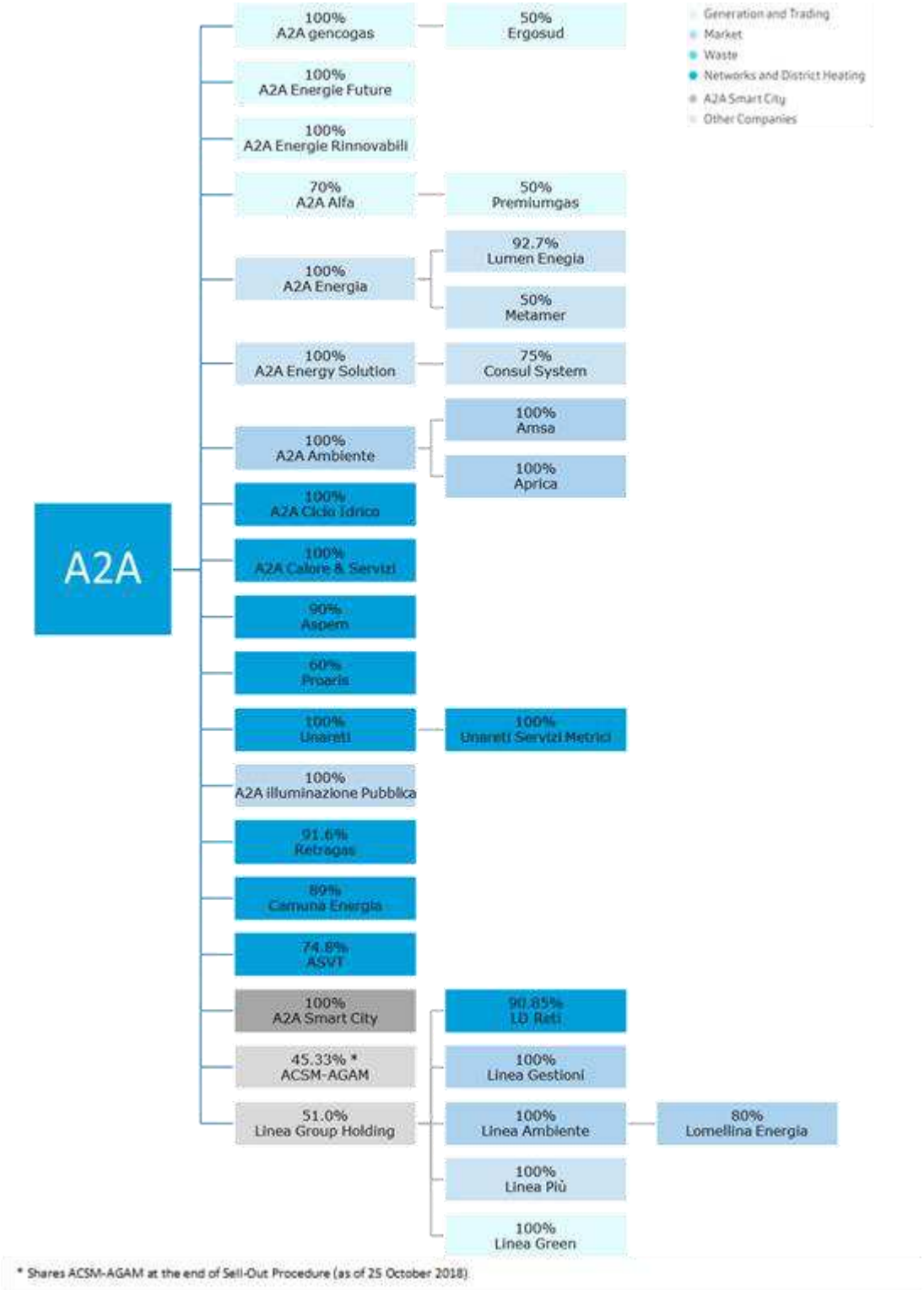
It is expected that the Group will work in favour of A2A people with projects developed according to the new managerial model adopted by the Group in the last few months.

A new and ambitious innovation plan is expected to be launched towards the external community, starting in 2018: the potential results (that have not yet been integrated in the Strategic Plan) are expected to have a strong link with the ecosystem.

GROUP STRUCTURE AND BUSINESS MODEL

Group Structure

The following chart shows the Group structure as at the date of this Base Prospectus.



Business Model

The Issuer is organised as an operating parent company, which owns real estate properties and assets in the hydro electricity generation sector (plants in Grosio, Grosotto, Lovero, Premadio, San Giacomo, Stazzona), while, following the Group's reorganisation carried out during 2016, thermoelectric assets belong to operating subsidiaries, such as A2A EnergieFuture S.p.A. or A2A GencoGas S.p.A. The Issuer manages part of its diversified core business also through principally wholly owned subsidiaries, in accordance with unbundling legislation.

In particular, all corporate and staff services are fully centralised at parent company level whereas sector-specific technical and commercial expertise is mainly held at the operating subsidiary level. Therefore the Issuer has service contracts with all its subsidiaries that formally set forth the intercompany relationships.

The Issuer has also implemented a fully centralised treasury model which enables to optimise the use of funds of all subsidiaries in the Group in order to reduce external debt and to increase liquidity. In this context, the Issuer has subscribed intercompany agreements which entitle the parent company to manage cash and funding on behalf of the subsidiaries, and, in some cases, if the subsidiary has borrowed funds from the parent, generate intercompany loans between the parent and its subsidiary.

As at the date of this Base Prospectus, the Group is divided into seven business units (each a **Business Unit**):

1. **Generation and Trading Business Unit**, including the management of the generation plant portfolio and the energy portfolio of the Group;
2. **Market Business Unit** (Commercial Business Unit until 31 December 2017), including the activities related to the retail sale of electricity and natural gas to final customers in the free market and sale to customers served under protection scheme (perfomed by the Commercial Business Unit until 31 December 2017) and the activities related to public lighting, energy efficiency and electric mobility;
3. **Waste Business Unit** (Environment Business Unit until 31 December 2017), including the whole waste management cycle activities;
4. **Networks and District Heating** (Networks and Heat Unit until 31 December 2017), including the distribution and sale of heat and electricity produced by cogeneration plants as well as heat management services and the activities related to the management of electricity and gas networks, the management of the entire integrated water cycle;
5. **International Business Unit**, which is responsible for identifying and developing cross business development initiatives for the Group and coordinating the initiatives managed by the organizational structures that deal with foreign activities. In addition, it coordinates the activities of production, distribution and sale of electricity in Montenegro carried out by EPCG[7], a company currently 18.6 per cent. owned by A2A but in respect of which the Issuer exercised the put option on the entire shareholding held by it (for further information, see " – *Description by Business Unit – Foreign Business Unit*" and "– *Further relevant information – Disposal of the stake held in EPCG*" below);
6. **A2A Smart City**, including telecommunication services as well as management and development of infrastructure in support of communication;
7. **Corporate Business Unit**, including the activities of guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology and communications).

[7] Total installed capacity of 0.9 GW

The breakdown into Business Units reflects the organisation of the financial reports analysed by the management and the Board of Directors of A2A in order to manage and plan the Group's business.

Description by Business Unit

Generation and Trading Business Unit

The activities of the Generation and Trading Business Unit are related to the management of the generation plant portfolio of the Group. The "Generation" sector has the specific goal of maximizing plant availability and efficiency and minimizing operating and maintenance (O&M) costs, whereas the "Trading" sector has the task of maximizing the profit from the management of the energy portfolio through the purchase and sale of electricity, fuel (gaseous and non-gaseous) and environmental certificates on domestic and foreign wholesale markets. The Trading Business Unit also includes the activity of trading on domestic and foreign markets of all energy commodities (gas, electricity, environmental certificates).

The following tables show the main economic and quantitative data for the Generation and Trading Business Unit.

Generation and Trading (Millions of Euro)	**30 June 2018 (unaudited)**	**31 December 2017**	**31 December 2016 (restated)**
Total revenues	1,758	3,262	2,736
Gross Operating Income	225	356	404
% of revenues	12.8%	10.9%	14.8%
Depreciation, amortisation, provisions and write-down	(85)	(161)	(431)
Net operating income	140	195	(27)
% of revenues	8.0%	6.0%	(1.0%)
Gross Investments	22	64	36

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

In the year ended on 31 December 2017 revenues generated by the Generation and Trading Business Unit amounted to Euro 3,262 million, with a Euro 526 million increase over the previous year, mainly due to the higher sales of electricity and gas traded in the wholesale markets and on the stock exchange and the favourable trend of the energy scenario, which has led to an increase in spot and forward prices.

The gross operating income of the Generation and Trading Business Unit amounted to Euro 356 million, with a Euro 48 million decrease compared to the previous year.

Net of the non-recurring items - down by approximately Euro 49 million compared to 2016 - the gross operating income of the Generation and Trading Business Unit was substantially in line with the previous year (+1 million Euro). The scenario of the year favoured the CCGT plants that recorded a substantial increase in production hours, both on the day-ahead market (*mercato del giorno prima*) (**MGP**) and the balancy market (*mercato per il servizio di dispacciamento*) (**MSD**) to the detriment of hydroelectric production penalized by poor water supply and the conclusion at the end of 2016 of the incentive mechanism (feed-in tariff) for some Valtellina plants.

In the fist half of 2018, revenues generated by the Generation and Trading Business Unit amounted to Euro 1,758 million, up by Euro 225 million and the Generation and Trading Business Unit's gross operating margin was equal to Euro 225 million. This performance is a result of the sale of the entire long position in green certificates, the increase in thermoelectric and hydroelectric production, the sound results on the ancillary service market and the contribution of the newly-acquired photovoltaic companies (the most recent acquisition was in February 2018).

Generation and Trading Electricity sector (GWh)	30 June 2018	31 December 2017	31 December 2016
SOURCES			
Net production	**7,982**	**15,846**	**13,108**
- thermoelectric production	5,865	12,370	8,826
- hydroelectric production	2,086	3,464	4,279
- photovoltaic production	31	12	3
Purchases	**16,303**	**50,041**	**48,257**
- power exchange	6,018	9,451	9,912
- wholesalers	1,619	3,456	4,482
- Trading/Service portfolio	8,666	37,134	33,863
TOTAL SOURCES	**24,285**	**65,887**	**61,365**
USES			
Sales to Group Retailers	3,953	6,198	6,154
Sales to other wholesalers	5,231	8,781	9,300
Sales on the power exchange	6,435	13,774	12,048
Trading/Service portfolio	8,666	37,134	33,863
TOTAL USES	**24,285**	**65,887**	**61,365**

Sales figures also include losses.

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

The Group's electricity output in 2017 amounted to 15,846 GWh, to which purchases of 50,041 GWh should be added for a total availability of 65,887 GWh.

In 2017, thermoelectric production increased compared to the previous year, due to the higher quantities produced by combined-cycle plants benefitting from the unavailability of nuclear plants in France in the first months of 2017, the cold temperatures in January, the heat wave in the peninsula in the summer months and, in general, the greater electricity needs that have characterized the current year. This increase more than offset the drop in hydroelectric production due to the lack of water availability for the entire year and the lower quantities produced by the Monfalcone plant for extraordinary maintenance activities carried out in 2017.

In the first half of 2018, thermoelectric production increased mainly due to the greater quantities produced by the CCGT plants, particularly the Scandale plant, fully dispatched. The production of San Filippo del Mela plan has also increased due to greater requests from Terna.

Purchases of electricity amounted to 50,041 GWh (48,257 GWh at 31 December 2016): fewer purchases on the wholesale markets and on the exchange were more than offset by higher volumes traded as part of trading activities.

In 2017, sales to the Market Business Unit were substantially in line (+0.7 per cent.) with 2016; there were also higher sales on IPEX (+14.3 per cent.), as well as lower sales on wholesale markets (-5.6 per cent.).

The amount of electricity traded in the trading context recorded an increase of 9.7 per cent..

Overall in 2017, electricity sales of the Generation and Trading Business Unit reached a total of 65,887 GWh (61,365 GWh at 31 December 2016).

Generation and Trading Gas sector (Millions of cubic meters)*	**30 June 2018**	**31 December 2017**	**31 December 2016**
SOURCES			
Procurement	2,369	4,597	3,150
Withdrawals from stock	24	(18)	40
Internal consumption/GNC	(9)	(14)	(11)
Trading/Service portfolio	2,361	4,357	3,990
TOTAL SOURCES	**4,772**	**8,922**	**7,169**
USES			
Market BU uses	781	1,659	1,399
Thermoelectric uses	953	1,855	1,116
Heat and services and Waste BU uses	66	104	91
Wholesalers	611	947	573
Trading/Service portfolio	2,361	4,357	3,990
TOTAL USES	**4,772**	**8,922**	**7,169**

** Quantities are shown in terms of standard cubic metres with an equivalent Gross Calorific Value (GCV) of 38100 MJ on redelivery.*

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

The volume of gas sold in 2017 amounted to 8,922 million cubic meters, up 24.5 per cent. over the corresponding period of 2016 (7,169 million cubic meters).

The volumes of gas sold for thermoelectric uses increased (+66.2 per cent.), due to the higher consumption of the combined cycle plants of the current year. There were also higher volumes managed by the Trading Portfolio (+367 million cubic meters) following an increase in brokerage activities and higher sales to wholesalers (+65.3 per cent.).

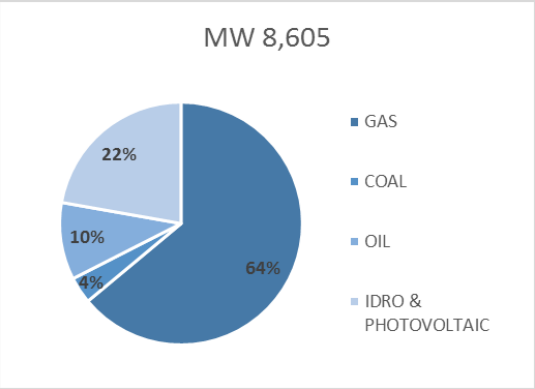
Generation plant portfolio

Electricity generation is one of the historical businesses of the Group. The Group is a key player in the Italian market with consolidated experience in plant operation, a diversified and flexible fuel mix and an installed thermoelectric and hydroelectric net generation capacity for the market of 8.6 GW, as at 31 December 2017. In the second half of 2017 the Group increased the green part of the generation portfolio by acquiring photovoltaic plants with a total installed capacity of 35MW.

The Group's power plants include a fuel oil thermal power plant located in San Filippo del Mela (Messina – Sicily), whose operation was declared "essential" for the electric system by Terna (the Italian Transmission System Operator, **TSO**). Such plant is admitted to the cost recovery regime by the Italian Authority for Electric Energy Networks and Environment (**ARERA**). According to its status, the power plant is dispatched by the TSO and EnergieFuture S.p.A. is thus currently refunded for relevant costs (fixed and variable, included a fair return on invested capital) until the end of 2021.

The following table shows the Group's generation portfolio capacity as at 31 December 2017.

	Capacity (MW)
GAS	5,503
COAL	305
OIL	886
IDRO	1,876
PHOTOVOLTAIC	35
TOTAL	**8,605**



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

Trading activity

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

With respect to the management of the Group's power plants, A2A has entered into a number of off-take agreements – typically tolling agreements – with the companies of the Group owning the thermoelectric plants in Cassano d'Adda, Ponti sul Mincio, Gissi and Monfalcone. The Group company owning the plant transforms fuel procured by A2A into electricity and A2A pays that owner a fee based on the actual availability of the plant and its energy efficiency levels.

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

A2A supplies electricity and gas, among other third-party wholesale counterparties, to A2A Energia S.p.A. (**A2A Energia**), a large electricity/gas wholesale company which itself then carries out marketing and sales activities to end users.

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

In addition, through its presence on the principal environmental exchange markets (including markets managed by Gestore dei Mercati Elettrici S.p.A. (**GME**) and the European Climate Exchange (**ECX**)), A2A also manages the Group's environmental related securities portfolio (mainly CO_2 Certificates, Green Certificates and Feed-in-Tariff). In order to comply with the obligations of the Group, as an electricity and gas distributor, to increase end use energy efficiency, A2A also trades White Certificates (on the GME and over-the-counter) (for further information see "*Regulation*" below).

A2A sells gas to third-party wholesale counterparties both for hedging and for trading purposes. The procurement of gas is pursued through a set of contracts, diversified by duration (long term, yearly and spot), by counterparties (in order to reduce the risk), by market place (regulated and OTC), by flexibility and by delivery point (foreign hubs, Italian border, PSV, end user).

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

The volume of gas sold in 2017 amounted to 8,922 million cubic meters, recording a 24.5 per cent. increase over the corresponding period of 2016 (7,169 million cubic meters). The volumens of gas sold for thermoelectric uses increased (+66.2 per cent) due to the higher consumption of the combined cycle plants of the current year. There were also higher volumes managed by the Trading Portfolio (+367 million cubic meters) following an increase in brokerage activities and higher sales to wholesalers (+65.3 per cent.).

Electricity generation – Further information

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

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

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

Market Business Unit

The activities of the Market Business Unit (named Commercial Business Unit until 31 December 2017) include the retail sales (industrial clients, small-medium enterprises and domestic customers) of electricity and natural gas to customers in the free market and to customers served under protection scheme as well as activities related to public lighting, energy efficiency and electric mobility.

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

With respect to natural gas, sales to non-domestic customers are based primarily on privately negotiated arrangements, whereas sales to domestic customers with consumption of less than 50,000m^3 per year are commonly based upon the Reference Economic Conditions regulated by the ARERA (for further information on gas and electricity services see "*Regulation*", below).

The following tables show the main economic and quantitative data with respect to the Market Business Unit:

Market (Millions of Euro)	**30 June 2018 (unaudited)***	**31 December 2017**	**31 December 2016 (restated)**
Total revenues	1,009	1,572	1,433
Gross operating income	111	159	144
% of revenues	11.0%	10.1%	10.0%.
Depreciation, amortisation, provisions and write-downs	(11)	(25)	(24)
Net operating income	100	134	120
% of revenues	9.9%	8.5%	8.4%
Gross Investments	5	9	8

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

** Due to a change in the perimeter of this business unit (renamed Market Business Unit as of 1 January 2018) figures as at for the six months ended 30 June 2018 are not comparable with the correspondent figures as at and for the six months ended 30 June 2017 as well as with the correspondent figures as at and for the years ended 31 December 2016 and 31 December 2017.*
In order to allow comparability with the correspondent figures as at and for the six months ended 30 June 2018, figures as at and for the six months ended 30 June 2017 have been restated under the section headed "Result sector by sector – Market Business Unit" of the half-yearly financial report of the Issuer for the six

months ended on 30 June 2018 incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference").

In the year ended on 31 December 2017, revenues generated by this business unit amounted to Euro 1,572 million (Euro 1,433 million as at 31 December 2016), recording a 9.7 per cent. increase as opposed to 2016. Apart from the greater contribution of the consolidated LGH Group since August 2016, amounting to Euro 142 million, there has been a substantial alignment with the revenues of the previous year.

In the Market Business Unit, the gross operating margin amounted to Euro 159 million, up Euro 15 million with respect to the previous year, thanks to the contribution deriving from the margins of the electricity and gas sectors and the contribution of the consolidation of the LGH Group.

In the fist half of 2018, the revenues amounted to Euro 1,009 million, up by Euro 93 million. The Market's gross operating margin was Euro 111 million. Excluding non recurring item, EBITDA amounts to Euro 95 million, up by Euro 8 million compared to the first half of 2017, due to higher customer base on free mass market and a positive price effect on the sale of white certificates.

Electricity and gas sectors benefited above all from the acquisition of new customers on the free market and higher volumes sold on the free gas market. This trend was partly off-set by a loss in margins related to the decrease in customers under greater protection and by the pressure on unit margins of the free market also determined, above all with reference to the business to business segment, by the significant unbalancing charges on the electricity market.

Market	**30 June 2018**	**31 December 2017**	**31 December 2016**
ELECTRICITY SALES (GWh)			
Electricity sales	**5,133**	**8,289**	**8,284**
Electricity sales Free Market	4,298	6,455	6,271
Electricity sales under Greater Protection Scheme	835	1,834	2,013
GAS SALES (Mcm)			
Gas sales	**986**	**1,629**	**1,372**
Gas sales Free Market	650	1,039	818
Gas sales under Greater Protection Scheme	336	590	554

Sales figures net of losses. Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

In 2017, the Market Business Unit recorded 8,289 GWh of electricity sales, in line with 2016 (8,284 GWh) and 1,629 million cubic metres of gas sales (+18.7 per cent. compared to the previous year).

In the first half of 2018, the Market Business Unit sold 5,133 GWh of electricity and 986 million cubic meters of natural gas.

	30 June 2018	31 December 2017	31 December 2016
POD Electricity spot			
Total POD Electricity (#/1000)	**1,064**	**1,058**	**1,040**
POD Electricity Free Market	479	435	338
POD Electricity under Greater Protection Scheme	585	623	702
PDR Gas spot			
Total PDR Gas (#/1000)	**1,287**	**1,298**	**1,306**
PDR Gas Free Market	490	447	356
PDR Gas under Greater Protection Scheme	797	851	950

The data related to the POD and PDR does not include the numbers relating to large customers.

Waste Business Unit

The activities of the Waste Business Unit include the whole waste management cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy (for further information on the waste management service see "*Regulation*", below).

In particular, collection and street sweeping mainly refers to street cleaning and the collection of waste for transportation to its destination.

Instead, waste treatment is an activity that is carried out in dedicated centres to convert waste in order to make it suitable for the recovery of materials.

Lastly, disposal of urban and special waste in combustion plants or landfills ensures the possible recovery of energy through waste to energy or the use of biogas.

The following tables set forth the main financial and quantitative operational data with respect to the Waste sector.

In the year ended on 31 December 2017, revenues generated by the Waste Business Unit amounted to Euro 980 million (Euro 852 million at 31 December 2016), recording a 15 per cent. increase as opposed to 2016, mainly due to the greater contribution of the consolidation of LGH group since August 2016.

In 2017, the Waste Business Unit gross operating margin amounted to Euro 261 million, up Euro 21 million with respect to the previous year, thanks to the contribution deriving from the other treatment plants and, as already said, the contribution of the consolidation of the LGH Group.

In the first half of 2018, the revenues generated by the Waste Business Unit amounted to Euro 508 million, recording an Euro 12 million increase as opposed to the same period of the previous year. The waste's gross operating margin was equal to Euro 136 million at 30 June 2018, slightly decreasing since the previous year of 1 million; the decrease is mainly due to lower not ordinary item and lower contribution of collection; these are only partially off-set by the higher contribution of the treatment plants.

Waste (*Millions of euro*)	**30 June 2018 (unaudited)**	**31 December 2017**	**31 December 2016 *Restated***
Total revenues	508	980	852
Gross operating income	136	261	240
per cent. of revenues	26.8%	26.6%	28.2%
Depreciation, amortisation, provisions and write-downs	(37)	(99)	(67)
Net operating income	99	162	173
per cent. of revenues	19.5%	16.5%	20.3%
Gross Investments	38	107	79

	30 June 2018 (unaudited)	**31 December 2017**	**31 December 2016**
Waste collected (Kton)	838	1,605	1,477
Residents served (#/1000)	3,528	3,549	3,502
Waste disposed of (Kton)	1,755	3,366	2,817
Electricity sold (GWh)	889	1,772	1,714
Heat sold (GWht) *	777	1,363	1,311

**Quantities at the plant entrance*

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

In 2017, the quantities of waste collected, amounting to 1,605 thousand tonnes, showed an increase of 8.7 per cent. compared to the previous year thanks to the greater contribution of the LGH Group (+155 thousand tonnes) consolidated since August 2016. Waste collected grew on the first half of 2018 on account of the contribution of the new municipalities business acquired in 2018 and in the last few months of 2017

The Waste Business Unit is a relevant cash flow contributor, generating more than 20 per cent. of the Group's EBITDA. It is mainly composed of six companies — A2A Ambiente, Amsa S.p.A. (**Amsa**), Aprica S.p.A. (**Aprica**), and Aspem S.p.A. (**Aspem**), Linea Ambiente s.r.l. — operating along the entire waste value chain (waste, collection and road sweeping management cycle, treatment, disposal and recovery of materials and energy, including the recovery of energy content from waste through waste-to-energy and biogas plants).

In particular Amsa, Aspem and Aprica operate in their local areas (Milan,Varese and Brescia respectively) and with their trade names, carrying out their core business of urban hygiene and maintaining their relationship with their municipality customers (around 160, including those also served by the controlled G.Eco S.r.l.). Amsa and Aprica accordingly deliver waste to A2A Ambiente which is responsible for its treatment and energy enhancement, thereby obtaining more than 1,740 GWh of electricity and over 1,300 GWh of thermal energy to be utilised in district heating for urban use.

Following the acquisition of the LGH group in 2016, the Group operates also in the Cremona area.

In 2018, A2A Integrambiente S.r.l. (**A2A Integrambiente**) was established in order to provide environmental sanitation services. A2A Integrambiente is 74 per cent. owned by A2A Ambiente, 25 per cent. by Amsa and 1 per cent. by Aprica and is consolidated with the line-by-line method.

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

	Installed Capacity		
	Electricity (*MWe*)	**Heat (*MWt*)**	**Waste (*tons*)**
Waste-to-Energy plants	362	441	1,328
Biogas and biological treatment plants	27	7	366
Other waste treatment facilities:			1,249

Source: A2A S.p.A. internal data as at 31 December 2017.

Networks and District Heating Business Unit

The activities of the Networks and District Heating Business Unit mainly include the technical and operational management of networks for the distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). The activities of the Networks and District Heating Business Unit also comprise the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group), through district heating networks, the operation and maintenance of cogeneration plants and district heating networks.

Networks and District Heating (*Millions of euro*)	**30 June 2018 (unaudited)***	**31 December 2017***	**31 December 2016 *Restated****
Total revenues	590	1,117	954
Gross operating income	192	448	397
% of revenues	32.5%	40.1%	41.6%
Depreciation, amortisation, provisions	(77)	(183)	(170)
Net operating income	115	265	227
% of revenues	19.5%	23.7%	23.8%
Gross Investments	108	231	213

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

** Due to a change in the perimeter of this business unit, figures as at for the six months ended 30 June 2018 are not comparable with the correspondent figures as at and for the six months ended 30 June 2017 as well as with the correspondent figures as at and for the years ended 31 December 2016 and 31 December 2017.*

In order to allow comparability with the correspondent figures as at and for the six months ended 30 June 2018, figures as at and for the six months ended 30 June 2017 have been restated under the section headed "Result sector by sector – Networks and District Heating Business Unit" of the half-yearly financial report of the Issuer for the six months ended on 30 June 2018 incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference").

In 2017, revenues of the Networks and District Heating Business Unit amounted to Euro 1,117 million (Euro 954 million at 31 December 2016).

This trend is due for approximately Euro 120 million to the consolidation of the LGH Group (1 year in 2017, 5 months in 2016), to the acquisition - from October 2016 - of Consul System S.p.A., a company specialized in energy efficiency and to the full consolidation in 2017 of Azienda Servizi Valtrompia S.p.A. (**ASVT**)

The higher revenues from heat sales and those deriving from the cancellation of the obligation relating to white certificates also contributed positively.

In 2017, the gross operating income of the Networks and District Heating Business Unit amounted to Euro 448 million, with a Euro 51 million increase compared to 2016.

Net of the non-recurring items (minus Euro 9 million) that regarded both 2017 (Euro 34 million, of which Euro 30 million from Energy Efficiency Certificates recognized for projects carried out in previous years) and the previous year (Euro 43 million, of which Euro 51 million for the recognition of tariff increases to A2A Ciclo Idrico S.p.A. for the years 2007-2011), the gross operating income of the Networks and District Heating Business Unit increased by Euro 60 million compared to 2016.

Capital expenditure for the reporting period amounted to Euro 231 million (mainly in electricity and gas networks).

In the first half of 2018, the revenues amounted to Euro 590 million, up by Euro 51 million. The Networks and District Heating Business Unit gross operating margin was equal to Euro 192 million, Euro 8 million lower compared to the previous year, due to Euro 5 million of non recurring item in 2017, ARERA incentives in 2017 and a negative scenario effect in district heating; on the other hand integrated water cycle results are Euro 4 million greater than the previous year.

Networks

Revenues from the networks sector are regulated. The competent authority for the setting of distribution price tariffs for electricity, gas and water is the ARERA. Regulated electricity, gas and water distribution operations are carried out under concessions and are therefore subject to low risk, with stable earnings (for further information see " — *Licences*" and "*Regulation*", below).

The following table sets forth the quantitative operational data with respect to the networks sector.

	30 June 2018	**31 December 2017**	**31 December 2016**
Electricity distributed (GWh)	5,878	11,590	11,204
Gas distributed (Mcm)	1,510	2,480	2,096
Gas transported (Mcm)	215	370	324
Water distributed (Mcm)	32	69	62

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

The electricity distributed amounted to 11.6 TWh, up (+3.4 per cent.) over 2016, while the quantities of gas distributed amounted to 2,480 million cubic metres, up by 18.3 per cent. (2,096 million cubic metres at 31 December 2016), mainly due to the contribution of the LGH Group.

The water distributed was equal to 69 Mcm, an increase of 7 Mcm with respect to the previous year, mainly as a result of the increase in the shareholding in ASVT, fully consolidated starting from 1 March 2017.

The Group's assets comprise over 15,000 km of electricity distribution and transmission lines, over 11,000 km of gas distribution and transport networks and around 7,000 km of water distribution and sewage networks.

Networks – Electricity networks and Gas networks

Unareti manages the distribution of electricity and gas, as specified below.

Unareti was incorporated on 29 February 2016 in the context of the reorganisation and simplification of the Group and with the aim of speeding up the decision making process and improving the intra-group synergies. In particular, Unareti is the company resulting from the merger by way of incorporation of the subsidiaries wholly owned by A2A operating in the network services sector (i.e. A2A Servizi alla Distribuzione S.p.A., A2A Reti Eletriche S.p.A. and A2A Logistica S.p.A. merged into A2A Reti Gas S.p.A., now Unareti S.p.A). The merger was effective as of 1 April 2016, and had an accounting and tax impact as of 1 January 2016. The transaction did not result in changes in the scope of consolidation and does not impact on the consolidated economic and asset values of the Group.

The transaction described above discharged the unbundling obligations provided by Resolution No. 296 of 22 June 2015 issued by the ARERA. More specifically, pursuant to such resolution, operators in the electricity and gas sector shall maintain a functional separation between the brand, other distinguishing marks (including the company name) and communication policies of distribution companies and those of the companies selling energy which operate within the same group.

Unareti, which became operational on 1 April 2016, has more than 1,500 employees and provides electricity distribution services to over a million customers at high, medium and low voltage, supplying around 11,000 GWh annually. Electricity is transformed by primary and secondary plants into medium-voltage and low-voltage electricity and distributed to customers through the Group's low and medium-voltage lines distribution network (currently, approximately, 15,000 km).

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

The Group's natural gas distribution network consists of over 11,000 km of pipeline, a number of primary and secondary pressure reduction stations, network stations and customer stations to regulate gas pressure for commercial and industrial uses.

The Group owns and operates its gas network, distributing to approximately 200 municipalities, mainly in the provinces of Milan, Brescia, Bergamo, Varese, Cremona, Lodi and in the Abruzzo region. Planning, maintenance and management of the Group's gas distribution network is carried out by Unareti, LD Reti, ASVT and by Aspem in accordance with all applicable legislative and regulatory standards and with

procedures designed to ensure the Group's continued certification as a public utility in compliance with EU quality control standards.

Wih particular reference to Milan area, in January 2017, Unareti made a bid in the tender for Milan 1 – City and Plant of Milan ATEM and on 27 March 2018, the Chairman of the Tender Committee communicated that Unareti resulted to be the company with the highest score. On 5 September 2018, the Municipality of Milan notified to Unareti the award of the tender (for further information, see *"– Significant events after 30 June 2018 – Final award of the tender for Milan 1 – City and Plant of Milan ATEM*"). However, as specified in more details below, on 8 October 2018, the competitor of Unareti in the context of the above tender filed a petition before the Administrative Regional Court (*Tribunale Amministrativo Regionale*) of the Lombardy Region challenging the award of the concession to Unareti (for further information, see *"Description of the Issuer – Legal Proceedings*" and "*Description of the Issuer – Significant events after 30 June 2018 – Award of the tender for Milan 1 – City and Plant of Milan ATEM and related litigation*", below). Therefore, as at the date of this Base Prospectus, Unareti (i) has not yet entered into the relevant concession agreement with the Municipality of Milan and (ii) runs the gas distribution service in the "Milan 1 - City and Plant of Milan" area under a *prorogatio* regime, pursuant to the regulatory framework of the concession system for natural gas distribution service.

Networks – Integrated Water Cycle

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

Management of the water network supply includes uptake and supply of drinking water, including water purification and drinking water treatment actions where necessary. The drinking water supplied comes from spring water and water wells. Water is supplied to the municipalities of Brescia and Varese and several municipalities throughout the two respective provinces, covering a total of about 120 towns and about 900,000 inhabitants. The water network used covers more than 7,000 km. In Brescia and its province, the water supplied is drawn from about 200 springs and 170 wells and in the province of Varese from 40 springs and 85 wells. The total water supplied is equivalent to around 70 million cubic meters per year. The water supply networks are managed in Brescia and its surrounding province by A2A Ciclo Idrico S.p.A. and in Varese and its province by Aspem.

The sewerage system consists of the gathering and collection of sewerage into waste water treatment plants (**WWTP**). The sewerage systems managed by the Group serve about 80 towns and almost 650,000 inhabitants.

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

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

Heat

Heat is sold through district heating networks. The heat sector also ensures the operation and maintenance of cogeneration plants and district heating networks, as well as management services of heating plants owned by third parties (heat management services).

The main quantitative data with respect to the heat sectors are set forth in the following table.

GWht	30 June 2018	31 December 2017	31 December 2016
SOURCES			
Plants:	**834**	**1,324**	**1,176**
- Lamarmora	302	467	437
- Famagosta	67	100	99
- Tecnocity	39	69	72
- Other plants	426	688	568
Purchases from:	**1,056**	**1,809**	**1,709**
- third parties	269	421	380
- others BU	787	1,388	1,329
TOTAL SOURCES	**1,890**	**3,133**	**2,885**
USES			
Sales to end-customers	1,646	2,682	2,412
Distribution losses	244	451	473
TOTAL USES	**1,890**	**3,133**	**2,885**

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

The total thermal capacity installed is equal to 1,827 MWt, while the electricity capacity amounts to 335MW.

Heat sales amounted to 2,682 GWh, recording an increase of 11.2 per cent. compared to 2016 following:

- the contribution of the LGH Group;
- the higher quantities of sales deriving from commercial development; and
- the temperatures recorded in the winter months being on average colder than the previous year.

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

Part of the heat generated by the Group comes from the WTE plants in Brescia, Figino (Milan) and Bergamo (which account for an overall installed thermal capacity of approximately 300MWt).

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

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

The Group is currently developing urban district heating distribution networks in the provinces of Bergamo and Milan, where the objective is to increase the Group's penetration share of the potential market, encouraging significant energy savings and a reduction in the emission of pollutants.

Foreign Business Unit

Established in January 2016, the Foreign Business Unit is responsible for identifying and developing cross business development initiatives for the Group aimed to supply know-how and technologies of the core A2A business and, in particular, the development of high-technology waste treatment plants. The Foreign Business Unit was also in charge of coordinating activities carried out by EPCG in relation to the production and sale of electricity in Montenegro and the operational technical management of the related electricity distribution networks.

In July 2016, the A2A Group and the State of Montenegro reached an agreement for the renewal of the new shareholders' agreements for the management of the Montenegrin company EPCG until 31 December 2016 subsequently extended to 30 June 2017.

On 1 July 2017, having acknowledged the impossibility of reaching a new agreement with the Government of Montenegro for further extension of the shareholders' agreements, A2A exercised the put option, effective from 3 July 2017, for the sale of the entire shareholding held by A2A in EPCG, equal to 41.75 per cent. of the company's share capital, at a price of Euro 250 million. The parties agreed that the disposal should have taken place in seven years starting from May 2018; however, on 17 April 2018, A2A and the Government of Montenegro reached an agreement to accelerate the execution of the disposal of the entire stake held by A2A in EPCG sharecapital (for furher information, see "*– Further relevant information – Disposal of the stake held in EPCG*" below).

As a consequence of the exercise of the put option, starting from the second half of 2017, EPCG has been excluded from the full consolidation and classified as an investment available for sale.

The International Business Unit generated revenues of Euro 3 million in the first half of 2018 through the construction of high-tech waste treatment plants.

A2A Smart City

A2A Smart City S.p.A. (**A2A Smart City**) is the reference operator within the A2A Group for the provision of telecommunications services. In particular, it provides services related to the management of fixed and mobile telephony and data transmission lines as well as services related to the management and development of infrastructure in support of communication. A2A Smart City is also a major provider in the realization and management of video surveillance and access control systems.

The following tables set forth the main financial data with respect to A2A Smart City.

A2A Smart City (*Millions of euro*)	**30 June 2018 (unaudited)**	**31 December 2017**	**31 December 2016 (restated)**
Total revenues	22	30	26
Gross operating income	4	7	6

A2A Smart City (*Millions of euro*)	30 June 2018 (unaudited)	31 December 2017	31 December 2016 (restated)
per cent. of revenues	18.2%	23.3%	23.1%
Depreciation, amortisation, provisions and write-downs	(2)	(2)	(1)
Net operating income	2	5	5
per cent. of revenues	9.1%	16.7%	19.2%
Gross Investments	6	10	6

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

Corporate

Corporate services include the activities of guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology, communications etc.) whose costs, net of amounts recovered from accrual to individual Business Units based on services rendered, remain the responsibility of the Corporate sector.

The following tables set forth the main financial data with respect to the Corporate sector.

Corporate (*Millions of euro*)	30 June 2018 (unaudited)	31 December 2017	31 December 2016 *(restated)*
Total revenues	105	204	182
Gross operating income	(11)	(32)	(29)
per cent. of revenues	(10.5%)	(15.7%)	(15.9%)
Depreciation, amortisation, provisions and write-downs	(9)	(19)	(26)
Net operating income	(20)	(51)	(55)
per cent. of revenues	(19.0%)	(25.0%)	(30.2%)
Gross Investments	8	29	17

Source: Half-yearly financial report of the Issuer for the six months ended on 30 June 2018; Issuer's Consolidated financial statements for the year ended 31 December 2017 and re-stated data for the year ended 31 December 2016.

Licences

Licences – Hydroelectric plants

The following table summarises the Group's hydroelectric concessions.

Hydroelectric plant	Expiry date
Premadio II	12/31/2043
Grosio	11/15/2016[(1)]
Premadio I	28/07/2013[(1)]
Braulio	28/07/2013[(1)]
San Giacomo	28/07/2013[(1)]
Lovero	31/12/2010[(1)]
Stazzona	31/12/2010[((1)]
Grosotto	31/12/2010[(1)]
Calabria plants	12/31/2029
Mese	12/31/2029
Udine	12/31/2029

(1) These concessions have been extended by Decisions of the Giunta Regionale of Lombardy (the last one being decision No. 7693 of 12 January 2018), which declared the "Transitional continuation of the exploitation" until 31 December 2020 or until a new concession is awarded.

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

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

Article 37 of the Development Decree provides that five years before the expiration of a large water concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such concession shall be for a period of 20 years up to a maximum of 30 years, depending on the level of investment offered. The criteria taken into consideration in assigning the concession shall be principally the pecuniary offer made in order to acquire the use of the water resources and the commitment to increase the installed power or the energy produced, but shall also include the improvement and environmental restoration of the relevant catchment area, the territorial compensation measures and the extent and quality of the plan of actions set out in order to ensure conservation of the reservoirs' capacity.

It must be taken into account that the implementation rules for the tender itself were not established by the competent governmental and regional bodies, due to a dispute concerning the compliance of the aforesaid Article 37 with EU competition principles, thus causing a significant degree of uncertainty about the timing and the modalities by which the concessions shall be granted. (See also "*Risk Factors – Retendering for*

large hydroelectric concessions may adversely affect the Group's business, results of operations and financial condition" above).

Article 37 further establishes that the outgoing concession holder has to transfer to any new concession holder its relevant division. The consideration to be paid to the outgoing concession holder shall consist of an amount previously agreed between the outgoing concession holder and the relevant authority and expressly indicated in the tender notice. In order to compensate the outgoing concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the revalued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. In the absence of such agreement, the amount will be established by an independent body composed of three qualified and independent members.

Licences – Electricity distribution

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

The Issuer managed the energy distribution service for approximately 50 municipalities, including Milan and Brescia, the larger cities of the Italian region of Lombardy. The energy distribution grid length altogether measured about 15,000 km, and the service users amounted to 1.2 million.

Licences – Natural gas distribution

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

As at 31 December 2017 the Group managed the gas distribution and measurement services for around 300 municipalities, including Milan, Brescia, Bergamo, Varese, Cremona and Lodi, through more than 11,000 km of gas distribution grids with approximately 1.5 million connected users.

Licences – Waste (Environment)

The Group has licences for all its waste operations throughout the Lombardia and Piedmonte regions.

Licences – Integrated Water Cycle

The Group has licences for all its integrated water cycle operations throughout the Lombardia region.

In recent years, the water services regulation has been extensively reformed. Currently, water services must have supra-municipality dimensions, must be integrated, must impose a sole concession to a single manager and must provide control powers to the district authority (a*utorità d'ambito*). Recently, Law Decree No. 133 of 12 September 2014 converted into law, with amendments, by Law No. 164 of 11 November 2014 (the so-called "*Sblocca Italia*") set out guidelines for the evolution of current water services regulation. Moreover, pursuant to Law No. 214 of 22 December 2011, the regulation and surveillance powers with respect to water

services were entrusted to the ARERA and to the Ministry of Environment and Protection of Land and Sea (**MATTM**).

For the 2012–2013 period, with Resolution 643/2013/R/idr ARERA defined the water tariff method (**MTI**) for the 2014–2015 period. The MTI introduces a specific regulatory scheme based on a matrix in which each operator is placed on the basis of the investment needs, the values of existing infrastructures, the costs and the changes in the operator's activities and objectives. In analogy to what was done for the previous years, with Resolution 643/2015/R/idr, ARERA approved the tariff method 2016-2019 period. The recognised costs and some financial parameters have been changed for the years 2018 and 2019 with Resolution 918/2017.

For further information on the licenses held by the Group's operating companies, see the section of this Base Prospectus headed "*Regulation*" below and the section headed "*Changes in legislation*" of the audited consolidated annual financial statements as at and for the year ended 31 December 2017 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Innovation, Development and Research

A2A currently conducts a number of research and development projects relating to the sectors in which it operates, with the aim of improving its processes and operations, contributing towards the development and creation of the Smart City of the future, which integrates all energy, environment, water, heat, networks and optic fibre services in a single centre.

In 2017, A2A put in place several partnerships with universities and centres for research and innovation to develop projects relating to the circular economy, Smart Grids and Smart Cities; the most important are:

- in collaboration with Brescia University, a study on recovering energy from purification sludge and the reuse of combustion residues to produce “green compost” and a study on the civil use of inert products produced by the Brescia clearing road sweeping treatment plant;

- LIFE: European project with the aim of optimising the mixture of solid municipal waste and purification sludge (reaching up to 20 per cent. of total incoming waste) to be used in co-combustion;

- DEMETEO: European project aimed at the success of the construction of a plant pilot on a semi-industrial scale for the recovery of the basic constituents of PET production through the treatment of coloured PET and polyester, through the depolymerisation by basic hydrolysis with microwave heating;

- MAGNITUDE: European project for the study of possible advantages offered by the integration of various different energy carriers, the relative business mechanisms and the tools for coordinating the flexibility of the European electricity system, strengthening synergies between electricity, heating/cooling systems and gas. For Italy one “case study” will be the Canavese plant of A2A Calore & Servizi;

- S.U.N. (Smart Utility Network): A2A project that envisages the implementation of a network of sensors and control units that generate synergy between the supplies of the A2A Networks and District Heating Business Unit (distribution of electricity, gas, water and heat) with the aim of optimising the resources through the sharing of the network and platforms.

Through A2A Smart City, A2A seeks to lead the offer of smart, digital services for the city of the future, through innovative IoT (Internet of Things) digital technologies to be applied to the management of dedicated territorial services, such as: security, energy savings, environmental sustainability, mobility, etc.

The A2A Smart City offer of smart services is expanded on constantly: from smart water for the smart management of water meters and losses on the network through to the manholes reporting that they are full, to smart mobility for smart parking and traffic lights, smart building for buildings the dialogue in the network, enabling optimal consumption management, smart green to manage crops, farms and greenhouses, smart roads, a tool for the infrastructural management of the road network and an advanced concept of smart security. In addition to the smart city services run for cities, A2A Smart City has also developed proposed IoT technologies applied to private areas, to offer services such as outdoor/indoor environmental monitoring, smart heating, monitoring and control of electricity loads and anti break-in systems. For these services, A2A Smart City has used its know-how in the field of IoT telecommunications and, in particular, the LoRa network, optimised for these types of applications. The data collected from these devices relative to one's own home/condominium can be controlled by users in real time, who can therefore interact with them anywhere. In June 2017, with the acquisition of Patavina Technologies, a spin-off of Padua University, A2A Smart City brought competences into the Group and a software platform enabling the LoRaWAN (Long Range Wide Area Network) protocol to enable IoT.

In the field of electric mobility, A2A manages a capillary network, which is diversified in terms of uptakes and powers available with more than 500 charging points able to supply up to 22 kW in alternating current as well as quick charging stations supplying up to 50 kW in direct current, comprising 13 fast chargers installed as part of a partnership with Nissan and Milan Municipality. In 2017, more than 100 thousand charges were performed by means of the A2A network, which disbursed in total more than 1,000 MWh, or 6 million km travelled at zero emissions. Moreover, only a year after the installation of the 13 fast charging stations - installed for the 2016 Champions League final - 10 thousand charges have been recorded, with a withdrawal of 140 MWh, equal to 850 thousand km travelled at zero emissions. All the electricity supplied by the charging points is certified 100 per cent. renewable energy supplied by A2A Energia, thereby making a further contribution towards the elimination of pollution.

For further information, see the section headed *"Intellectual Capital"* of the 2017 consolidated disclosure of non financial information integrated report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Sustainability Policy and Plan

A2A plans sustainability to promote a circular economy, decarbonization, smart grids and services, and social innovation.

On 11 July 2016, A2A presented its goals for an increasingly sustainable business, summed up in the 2030 sustainability policy (the **Sustainability Policy**) and the 2016-2020 sustainability plan (the **Sustainability Plan**) aimed at supporting the communities in which the Group operates in developing a solid culture of sustainability, in order to make such communities the linchpins of a new, circular, low-carbon economy built on smart grids and services.

In line with the Strategic Plan and following the change to the consolidation perimeter due to the acquisitions made by A2A in 2016 and 2017, on 20 March 2018, the Board of Directors of A2A approved the 2018-2022 sustainability plan (the **New Sustainability Plan**).

A2A's vision relies on an innovative approach deriving from the UN's 2030 17 Sustainable Development Goals, to which it intends to make a tangible contribution in the next few years. A2A wishes to contribute to the well-being of the reference communities and improve work conditions by increasing transparency and promoting a better dialogue with stakeholders.

The development of the Sustainability Plan is linked to management incentive systems. Monitoring will also be ensured by the Sustainability and Territory Committee.

The Sustainability Policy and the Sustainability Plan are based on four pillars: (i) circular economy; (ii) decarbonization efforts; (iii) smart grid and services; and (iv) people innovation.

For each pillar, A2A has defined the main expected objectives through to 2030 as follows:

Circular economy:

- 99 per cent. of urban waste sent for recycling or energy recovery;
  - recovery capacity of the material in the power plants owned by the Group at least equivalent to the total urban waste collected through separated collection;

Decarbonization Efforts:

- -62 per cent. of CO_2 emissions from electricity generation plants (on the 2008-2012 average);
- -37 per cent. of carbon intensity (gCO_2/kWh) from electricity generation (on the 2008-2012 average);
- 50 per cent. of heat deriving from non-fossil or recovery fuels contained in the mix used for high-efficiency district heating and cooling;

Smart Grid and services:

- 15 per cent. of smart grids (advanced automation) out of the total grid;
- 20 per cent. smart investments out of the total investments in the Networks and District Heating BU;

People Innovation:

- 100 per cent. of executives with Sustainability MBOs and employees assessed on Risk Threshold Concentration (CSR) parameters (to be achieved as early as 2020);
- 20 per cent. of smart working adopted systematically by employees, where applicable;
- -25 per cent. reduction of the weighted accident index (frequency index x severity index) as early as 2020, compared to the 2013-2015 average.

For further information, see the section headed "*Sustainability Strategy*" of the 2017 consolidated disclosure of non financial information integrated report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Integrated Sustainability Report

In compliance with Italian Legislative Decree no. 254/2016, in 2017 A2A published its first consolidated disclosure of non financial information (the **Integrated Sustainability Report**), prepared with reference to the Integrated Reporting Framework (IR Framework) drawn up by the International Integrated Reporting Council (IIRC). This document (including the supplement) provides an account of the performances of the companies from both a financial and a social and environmental standpoint. The document has also been prepared in accordance with the Global Reporting Initiative (GRI) Standards and, for some indicators, it complies with GRI-G4 Electric Utilities Sector Supplement. The Integrated Sustainability Report, approved by the Board of Directors of A2A S.p.A. on 20 March 2018, was then subject to a limited audit, with regard to aspects relating to GRI reporting, by an external company, in accordance with the criteria laid down by the "International Standard on Assurance Engagements 3000" (ISAE 3000).
For further information see the Integrated Sustainability Report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Employees

As at 31 December 2017, the Group had 11,436 employees, of whom 1,200 related to the consolidation of the LGH Group, while, at 31 December 2016, the Group had 11,193 employees. As at 30 June 2018, the Group had 11,332 employees.

For further information, see the sections headed (i) "*Notes to the Consolidated annual report – Labour Cost*" of the consolidated financial statements for the year ended 31 December 2017 and (ii) "*Notes to the half-yearly financial report – Labour Cost*" of the half-yearly financial report of the Issuer as at and for the six months ended on 30 June 2018, each incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Legal proceedings

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

For a detailed description of the legal proceedings and investigations involving the companies belonging to the A2A Group and, if any, the related provisions, see (i) the sections of the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017 headed, respectively, (a) "*Provisions for risks, charges and liabilities for landfills*" and (b) "*Update of the main legal and tax disputes still pending*"; (ii) the paragraph headed "*Criminal proceedings no. 25597/14 R.G. offence notices/Form 21 on the alleged "abusive management of special non hazardous waste" by A2A Ambiente S.p.A.*" of the section of the report on operations for the financial year ended 31 December 2017 headed "*Significant events in the year*"; (iii) the sections of the half-yearly financial report of the Issuer for the six months ended on 30 June 2018 headed, respectively, (a) "*Provisions for risks, charges and liabilities for landfills*", (b) "*Update of the main legal and tax disputes still pending*" and (c) "*Evolution of the regulation and impacts on the Business Units of the A2A Group – Market Business Unit – Investigation AGCM A5 A512-A2A for alleged anti-competitive conduct in the electricity sales market - violation of art. 102 of the TFEU*"[8], each incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*", above).

In addition, as at the date of this Base Prospectus, Unareti is involved in a proceeding commenced by its competitor in the context of the tender for the concession of the natural gas distribution service in the "Milan 1 - City and Plant of Milan" ATEM (for further information, see "*Significant events after 30 June 2018 – Award of the tender for Milan 1 – City and Plant of Milan ATEM and related litigation*" below).

Legislative and regulatory framework

Some of the Group's operations are within regulated sectors. The legislative and regulatory framework in which the Group operates is summarised in the section of this Base Prospectus headed "*Regulation*" below.

Such laws and regulations may affect the Group's operating profit or the way it conducts business, in this respect see, *inter alia*, "*Risk Factors — Risks relating to the industries in which the Group operates*" above.

[8] As the date of this Base Prospectus, the AGCM A5 A512-A2A investigation is expected to be completed by December 2018.

Further relevant information

Corporate reorganisation of certain participation

- On 31 January 2017, A2A Ambiente finalised the sale to Ladurner of the shareholding in Bellisolina S.r.l.. The transaction was executed in order to comply with a provision of the Italian Competition and Market Protection Authority, following the acquisition of 51 per cent. of the share capital of the LGH Group by A2A.
- On 8 March 2017, A2A fully subscribed for a consideration of Euro 5.8 million the share capital increase of ASVT, the Brescia based multi utility specialised in particular in the water, waste and gas sectors; as a consequence of the subscription, following the waiver of exercise of option rights by all other shareholders, it has increased its shareholding from 49 per cent. to approximately 75 per cent..
- On 1 June 2017, A2A acquired Patavina Technologies through its subsidiary A2A Smart City. The start-up acquired, which is a spin-off of the University of Padua, is active in the design of software and TLC systems and will favour further impetus to innovation related to Smart Cities in addition to automation of network management and control processes.
- On 28 June 2017, the Board of Directors of A2A Energia resolved to exercise the option right for the purchase of 59 per cent. of LumEnergia S.p.A.. The transaction was completed on 31 July 2017 with the acquisition of a shareholding equal to 59.08 per cent. of the company, in which it already held 33.33 per cent. of the share capital. Following the transaction, A2A Energia became the owner of a shareholding equal to 92.41 per cent. of LumEnergia S.p.A. The consolidated investment of the Group is 92.70 per cent.
- On 25 July 2017, the company A2A Rinnovabili S.p.A. (**A2A Rinnovabili**) with sole shareholder A2A was established. The operation is part of the strategies outlined by the Group's business plan, which includes major investments in the green economy and a progressive diversification of the generation mix. As at 31 December 2017, A2A Rinnovabili had completed the acquisition of 13 SPVs, of which 5 project companies transferred from the Re Energy fund for an installed capacity of 17 MW and an annual production of 22.6 GW and 8 project companies acquired in October 2017 by Novapower S.p.A. (Merloni Group) that bring the photovoltaic portfolio held to a total of 38.4 MW.On 28 February 2018, A2A Rinnovabili, acquired five photovoltaic plants from Impax Asset Management Group Plc for a total of 15.7 MW installed. Out of the five photovoltaic plants acquired, three are located in Apulia, one in Lazio and one in EmiliaRomagna. The acquisition brought the photovoltaic park installed to 39 plants for a total of 54.1 MW installed
- In 2018, A2A sold the 39.49 per cent. shareholding in Rudnik Uglja ad Pljevlja previously consolidated using the equity method.

New Strategic Plan

On 20 March 2018, the Board of Directors of A2A approved the 2018-2022 strategic plan with the aim of strenghtening the positive results of the 2015-2017 strategic plan. For further information, see " – *Strategy*" above.

Disposal of the stake held in EPCG

On 1 July 2017, having acknowledged the impossibility of reaching a new agreement with the Government of Montenegro for further extension of the shareholders' agreements, A2A exercised the put option, effective from 3 July 2017, for the sale of the entire shareholding held by A2A in EPCG, equal to 41.75 per cent. of

the company's share capital. For further information, see also "*– Description by Business Unit – Foreign Business Unit*".

On 17 April 2018 A2A and the Government of Montenegro reached an agreement for the acceleration of the execution of the disposal of the entire stake held in EPCG share capital consequential to the exercise of the above put option. In particular, the parties agreed that the disposal shall take place in four tranches in the period between 1 May 2018 and 31 July 2019 as opposed to over a period of seven years (*i.e.*, the term originally agreed by the parties).

The approval of the Parliament of Montenegro, which was a condition precedent to the above agreement, occurred on 27 April 2018.

As at the date of this Base Prospectus, A2A has disposed of 23.15 per cent. of the shares of EPCG and therefore the stake in EPCG is equal to 18.6 per cent.

A2A credit rating

On 27 April 2018, Moody's upgraded the "long term issuer" and "senior unsecured debt" rating of A2A from "Baa3" to "Baa2" and also upgraded the Issuer's "long term EMTN" rating from (P)Baa3 to (P)Baa2. The outlook on the ratings is stable.

Ordinary shareholders' meeting

On 27 April 2018, the ordinary shareholders' meeting of A2A resolved, *inter alia*, upon:

- the approval of, *inter alia*, the separate financial statements of the Issuer for the financial year ended 31 December 2017;
- the authorization to the Board of Directors for the purchase, sale, transfer or assignment of treasury shares (for further information, see " *– Reference shareholders – Treasury shares buy-back programmes*", below");
- the distribution of a Euro 0.0578 dividend per share to be paid from 23 May 2018, with record date 22 May 2018.

Significant events after 30 June 2018

A2A, ACSM-AGAM, Aspem, AEVV and Lario Reti Holding industrial and corporate partnership and mandatory tender offer over ACSM-AGAM shares

On 23 January 2018, the Boards of Directors of ACSM-AGAM S.p.A. (**ACSM-AGAM**), Aspem, AEVV S.p.A. (**AEVV**), AEVV Energie S.r.l. (**AEVV Energie**), Lario Reti Holding S.p.A. (**Lario Reti**), Acel Service S.r.l. (**Acel Service**), Lario Reti Gas S.r.l. (**Lario RG**) and A2A approved the industrial and corporate partnership project outlined in the non-binding letter of intent signed on 1 April 2017 (the **Aggregation Project**).

The Aggregation Project consisted of the following phases:

- merger by incorporation into ACSM-AGAM of A2A Idro4 S.r.l., Aspem, AEVV Energie, Acel Service, AEVV and Lario RG (the **Merger**);
- partial demerger of A2A Energia in favour of ACSM-AGAM mainly concerning a business unit consisting of contractual relationships with customers in the province of Varese in the energy sector (the **Demerger**);

– reorganization of ACSM-AGAM consisting in the rationalisation of the assets received following the Merger and Demerger above, through the execution of various contributions in newly established companies (fully controlled by ACSM-AGAM) or in other existing companies already controlled by ACSM-AGAM or of which the latter became a shareholder following the Merger.

The entity resulting form the Aggregation Project was expected to be a listed operator with the presence of A2A, as a reference shareholder. In particular, on the basis of the exchange ratios described in the merger plan, the shareholding structure of ACSM-AGAM was envisaged to be as follows: A2A holding 38.91 per cent. of ACSM-AGAM sharecapital, Lario Reti Holding holding 23.05 per cent., the Municipality of Monza holding 10.53 per cent., the Municipality of Como holding 9.61 per cent., the Municipality of Sondrio holding 3.3 per cent. and the Municipality of Varese holding 1.29 per cent.

In the context of the Aggregation Project, in March 2018, A2A, Lario Reti, the municipalities of Como, Monza, Sondrio and Varese entered into a shareholders' agreement pursuant to article 122, paragraph 1 and 5 letters a), b), c) and d), of the Financial Services Act in respect of 86.69 per cent. of the share capital of ACSM-AGAM (the **ACSM-AGAM Shareholders' Agreement**).

On 16 May 2018, the extraordinary shareholders' meeting of ACSM-AGAM approved the project for the Merger and the Demerger, together with the share capital increase necessary for this purpose, as well as certain amendments to ACSM-AGAM by-laws. Following satisfaction of all the conditions precedent (including without limitation, the Italian Competition Authority clearance, the issue of the positive opinion of the independent expert on the exchange ratio of the Merger and Demerger), the Merger deed and the Demerger deed were entered into on 25 June 2018. Each of the Merger and the Demerger took effect, including for accounting and tax purposes, from 1 July 2018.

Upon the Merger and Demerger becoming effective, the parties to the ACSM-AGAM Shareholders' Agreement came to hold No. 171,078,920 ordinary shares of ACSM-AGAM listed on the *Mercato Telematico Azionario* organized and managed by Borsa Italiana S.p.A., equal to 86.69 per cent. of its share capital and – in the absence of the conditions for the so called "whitewash" exemption pursuant to Article 49, paragraph 1, letter g) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended – became subject to the obligation to launch jointly a mandatory public tender offer over all ACSM-AGAM shares pursuant to Article 106, paragraph 1 and Article 109 of the Financial Services Act.

On 2 July 2018, A2A and Lario Reti, for their own account and for the account of the other parties to the ACSM-AGAM Shareholders' Agreement, announced, pursuant to Article 102, paragraph 1 of the Financial Services Act, the launch of the mandatory public tender offer over No. 26,264,874 ACSM-AGAM shares equal to 13.31 per cent. of its share capital (*i.e.*, all the remaining ACSM-AGAM shares not held by the parties to the ACSM-AGAM Shareholders' Agreement) against payment of a consideration equal to Euro 2.47 per share (the **Tender Offer**) determined on the basis of the value attributed to ACSM-AGAM shares in the context of the Merger and the Demerger. In such context, A2A undertook to pay 73.41 per cent. of the overall consideration (up to Euro 47,624,187.75), while Lario underook to correspond the remaing 26.59 per cent. (up to Euro 17,250,063.38).

The offer document relating to the Tender Offer was filed with *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) on 20 July 2018 and was approved by CONSOB with resolution No. 20546 of 2 August 2018. The Tender Offer document provided for a tender period commencing on 21 August 2018 and expiring on 7 September 2018, subject to extension or re-opening.

As at close of business of 7 September 2018, the shares tendered were 14,221,341 (equal to 7.2 per cent. of ACSM-AGAM share capital) and, upon payment of the relevant consideration occurred on 14 September 2018, the parties to the ACSM-AGAM Shareholders' Agreement came to jointly hold 93.89 per cent. of ACSM-AGAM share capital.

Considering that the shares so purchased were more than one half of the shares in respect of which the Tender Offer was launched, the Tender Offer was re-opend for five consecutive stock exchange days, from 17 to 21 September 2018. As at close of business of 21 September 2018, the shares tendered pursuant to the reopening (*riapertura*) were 2,537,851 equal to 1.28 per cent. of ACSM-AGAM share capital and to 9.66 per cent. of the shares in respect of which the Tender Offer was launched.

Considering that the shares repurchased as a consequence of the Tender Offer (including the relevant reopening) are No. 187,838,612 equal to approximately 95.18 per cent. of ACSM-AGAM share capital (i.e., a percentage higher than 95 per cent.), in accordance with Article 108, paragraph 1 of the Financial Services Act, A2A and Lario Reti became subject to the obligation to purchase the remaining No. 9,505,182 ordinary shares of ACSM-AGAM (**Sell-out**), equal to around 4.82 per cent. of its share capital at a price of Euro 2.47 for each share.

As at the end of the adherence period of the Sell-out procedure, No. 488,229 of ACSM-AGAM shares (equal to 0.247 per cent. of its share capital) were tendered. After the settlement date of the Sell-out procedure, A2A and Lario Reti came to hold No. 188,326,841 ordinary shares of ACSM-AGAM equal to 95.43 per cent. of its share capital.

A2A and Lario Reti did not exercise the right conferred under Article 111 of the Financial Services Act (so-called "squeeze out").

A2A and Lario Reti will proceed, pursuant to Article 108, paragraph 2 of the Financial Services Act, to restore a sufficient free float to ensure regular trading, in accordance with the procedures to be set out in light of market conditions.

ESG / KPIs Linked Revolving Credit Facility

In August 2018, A2A and a pool of banks entered into a five years revolving credit facility for a maximum principal amount of €400,000,000. The facility, which is in line with the objectives of the New Sustainability Plan, provides for a floating interest rate with a margin linked both to the environmental, social and governance performance of the Issuer and the achievement of specific corporate purposes connected to decarbonisation, green energy and circular economy. The calculation of the interest rate depends, *inter alia*, upon certain environmental key performance indicators and the Standard Ethics ESG annual rating of A2A.

Award of the tender for Milan 1 – City and Plant of Milan ATEM and related litigation

On 5 September 2018, the Municipality of Milan, the Contracting Authority of the tender for the concession of the natural gas distribution service in the "Milan 1 - City and Plant of Milan" area (consisting of over 830,000 redelivery points active in the municipalities of Milan, Baranzate, Bollate, Cinisello Balsamo, Corsico, Novate Milanese, and Sesto San Giovanni), notified to Unareti the award of the tender with an overall score of 98.12 points out of 100. The concession lasts 12 years and has a total value of Euro 1,370,000,000.

On 8 October 2018, the sole competitor of Unareti in the context of the tender for the concession of the natural gas distribution service in the "Milan 1 - City and Plant of Milan" area filed a petition before the Administrative Regional Court (*Tribunale Amministrativo Regionale*) of the Lombardy Region challenging the award of the concession to Unareti and in general objecting several aspects and steps of the overall tender procedure. In particular, the competitor claimed for (i) the annulment of the award and (ii) the provisional suspension of the award. On 7 November 2018, Unareti submitted its counterclaims.

As at the date of this Base Prospectus, it is not possible to anticipate the outcome of such proceeding. In particular, it is not possible to reasonably predict the impact on the award process in the case in which the competent Courts' rulings would not reject in whole the competitor's claims, also in light of the uncertainty

regarding the regulatory framework of the concession system for natural gas distribution service. Such impacts might include, without limitation, the annulment of the award, changes to the scores attributed to the tender participants with a possible revision of the outcome of the award, as well as the annulment of part of the tender procedure or, theoretically, of the entire procedure.

Pending the decision on this proceeding (i) the Municipality of Milan has suspended the signing of the concession agreement with Unareti and it cannot be excluded that no agreement will be signed until the judgement on the merit is rendered or until the judgement is final (*sentenza passata in giudicato*) (ii) Unareti is running the gas distribution service in the "Milan 1 - City and Plant of Milan" area under a *prorogatio* regime, pursuant to the regulatory framework of the concession system for natural gas distribution service.

A2A and TS Energy Europe together for photovoltaic development

On 12 November 2018, the Issuer and TS Energy Europe S.A. signed a term sheet setting out the main terms and condition for the potential acquisition by the Issuer of the 43.2MWp portfolio of PV plants held by Talesun Group in Italy and subject to completion of such acquisition, the establishment of a joint venture that is expected to develop a pipeline of up to 300MWp grid-parity utility-scale PV plants in Italy and perform asset management services in respect of the A2A PV portfolio. The term sheet envisages the closing of the potential joint venture by 31 December 2018, following the completion of the above acquisition.

A2A Board of Directors approved the interim results as at 30 September 2018

On 13 November 2018, the Board of Directors of A2A examined and approved the interim results as at 30 September 2018. For further information, see the press release headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" incorporated by reference in this Base Prospectus (see "*Documents incorporated by reference*", above).

REFERENCE SHAREHOLDERS

As at the date of this Base Prospectus the majority of A2A voting share capital is held by two public shareholders (the Municipality of Brescia and the Municipality of Milan).

On 30 December 2013, the Municipality of Brescia and the Municipality of Milan entered into a shareholders agreement concerning 1,566,452,642 ordinary shares (the **Previous Shareholders' Agreement**) having as subject matter the property structure and the corporate governance of A2A. On 20 May 2016, the Previous Shareholders' Agreement was amended and on 4 October 2016, the Municipality of Brescia and the Municipality of Milan communicated, pursuant to article 131 of CONSOB Regulation No. 11971, the tacit renewal of the Previous Shareholders' Agreement for the 2017-2019 period, given that the applicable period for serving notice of cancellation of the agreement had passed.

On 26 October 2016, the Municipality of Milan received from the Municipality of Brescia a proposal – approved by the Municipal Committee (*Giunta comunale*) of the latter on 25 October 2016 – to partially amend the Previous Shareholders' Agreement (the "**Proposal**") by entering into a new three years shareholders' agreement based on the same principles and guidelines of the Previous Shareholders' Agreement and aimed, *inter alia*, at promoting, as majority shareholders, the development and strengthening of A2A and its subsidiaries as benchmark group for the companies operating in Lombardia in the local public services and energy sectors. In particular, the Proposal provided that the new public shareholders' agreement shall concern a number of ordinary shares corresponding to 42 per cent. of the corporate capital of A2A, conferred in the same proportion by the Municipality of Milan and the Municipality of Brescia. On 4 November 2016, the Municipal Committee (*Giunta comunale*) of the Municipality of Milan having positively evaluated the Proposal, submitted the Proposal to the Municipal Council (*Consiglio comunale*) of the Municipality of Milan for the final decision.

On 23 January 2017, the Municipal Council (*Consiglio comunale*) of the Municipality of Milan approved the new shareholders' agreement between the Municipality of Milan and the Municipality of Brescia (the **New Shareholders' Agreement**) regarding the shareholding in A2A and committed to not proceed with the disposal of any shares owned by the Municipality of Milan.

An excerpt of the New Shareholders' Agreement is available for inspection free of charge, as required by the Financial Services Act (as defined below), on the website of CONSOB (*Commissione Nazionale per le Società e la Borsa*) (**CONSOB**) and on the websites of the Municipality of Brescia and the Municipality of Milan.

According to communications provided pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), and available information, as at the date hereof shareholders with a shareholding exceeding 3 per cent. of the A2A voting capital were as follows:

Declarer	**Direct Shareholder**	**Type of shareholding**	**Percentage of voting capital**
Municipality of Brescia	**Municipality of Brescia.....**	**Owner**	**25.000%**
	Total		**25.000%**
Municipality of Milan	**Municipality of Milan .....**	**Owner**	**25.000%**
	Total		**25.000%**

As at the date of this Base Prospectus, A2A holds 23,721,421 treasury shares, representing 0.757 per cent. of the share capital consisting of 3,132,905,277 shares. For further information on transactions on treasury shares, see also " – *Treasury shares buy-back programmes*" below.

The remaining percentage of shares is held by market investors.

Except the major shareholders mentioned above there are no other persons that have major holdings within the meaning of Article 8 or Article 9 of the Luxembourg law of 11 January, 2008 on transparency requirements for issuers of securities, as amended.

As at the date of this Base Prospectus, A2A is not subject to the management and coordination of any company pursuant to Article 2497 *et seq*. of the Italian Civil Code. Moreover, A2A is not controlled by any other company.

Treasury shares buy-back programmes

On 27 April 2018, the ordinary shareholders' meeting resolved, *inter alia*, to authorise – subject to revocation of the resolution authorising the purchase and disposal of treasury shares adopted by the previous ordinary shareholders' meeting of 15 May 2017, to the extent not already used – the Board of Directors to carry out transactions for the purchase and disposal of treasury shares, according to the purposes, procedures and terms indicated below:

1) the maximum number of treasury shares that may be held is 313,290,527, taking into account the shares already held by A2A and its subsidiaries, being one tenth of the shares making up the share capital;

2) the transactions entailing (i) the purchase of treasury shares are to be effected for pursuing, in the interest of the Issuer and in respect of the principle of equal treatment of the shareholders and of the applicable laws and regulations in effect, development objectives, such as transactions related to business projects consistent with the strategies that the Issuer intends to pursue, in relation to which the

opportunity for share exchanges may be manifested; (ii) the sale, transfer, or assignment of treasury shares, even subsequent transactions, are to be effected for pursuing, in the interest of the Issuer and in the respect of the principle of the equal treatment of the shareholders and of the applicable laws and regulations in effect, objectives such as transactions related to current operations and business projects consistent with the strategies that the Issuer intends to pursue, in relation to which the opportunity for share exchanges may be manifested;

4) the purchase of the shares shall be made, in accordance with the provisions of art. 132 of Financial Services Act and subsequent modifications, art. 144-*bis* of the CONSOB Regulation No. 11971 and any other EU or national law or regulation applicable to the market in which the shares are traded (including, *inter alia*, the Borsa Italiana S.p.A. Regulations and Instructions), with the operational means permitted by prevailing laws and regulations, and therefore, pursuant to art. 144-*bis*, paragraph 1, letter b) of the CONSOB Regulation No. 11971, on regulated markets, according to the operational procedures established in the regulations governing the organization and operation of the markets; such procedures may not allow for direct matching of purchase bids with predetermined sale orders and must be performed at a price that is no more than 5 per cent. above nor more than 5 per cent. below the price of reference of the shares recorded on the trading session preceding any individual transaction.

CORPORATE GOVERNACE

Corporate governance rules for Italian companies, such as A2A, whose shares are listed on the Italian Stock Exchange (Borsa Italiana S.p.A.), are provided in the Italian Civil Code, the Financial Services Act, CONSOB Regulation No. 11971 and the voluntary code of corporate governance issued by the Italian Stock Exchange (the **Corporate Governance Code**).

On 13 June 2014, the extraordinary meeting of the shareholders of A2A approved the new text of the corporate by-laws of A2A and adopted the so-called "traditional" administration system. In particular, the extraordinary meeting of the shareholders of A2A resolved upon the transition from the two tier or “dual” system of management and control (*modello dualistico*), providing for a “Supervisory Board” and a “Management Board”, in addition to the shareholders’ meeting, to the “traditional” system (according to which the board of directors is entrusted with the management of the company).

Board of Directors

A2A is currently managed by a Board of Directors having 12 (twelve) members, meeting the requirements of integrity and professionalism prescribed by current legislation. The members of the Board of Directors are appointed according to a voting system based on lists, respecting gender balance legislation. Nine members are taken from the list obtaining the highest number of votes whilst the remaining three members are taken from the other lists, placed in a single classification in descending order based on the quotient assigned to each candidate.

In particular, the first and second candidates taken from the list obtaining the highest number of votes are appointed as Chairman and Deputy Chairman of the Board of Directors, respectively.

The Board of Directors is entrusted with the broadest powers for conducting the ordinary and extraordinary management of A2A; in particular, the Board of Directors has the power to carry out all the measures considered necessary or appropriate for achieving the corporate purpose of A2A, excluding only those activities which are reserved to the shareholders' meetings by law or the company's by-laws.

The shareholders’ meeting of A2A held on 15 May 2017 appointed the members of the Board of Directors for a period of three years.

The following table sets out the current members of the Board of Directors.

Board of Directors	
Member	**Position**
Giovanni Valotti	Chairman
Alessandra Perrazzelli	Deputy Chairman
Luca Camerano	Chief Executive Officer* and Managing Director**
Giambattista Brivio	Director
Giovanni Comboni	Director
Enrico Corali	Director
Luigi De Paoli	Director
Alessandro C. Fracassi	Director
Maria Chiara Franceschetti	Director
Gaudiana Giusti	Director
Secondina Giulia Ravera	Director
Norberto Rosini	Director

** Mr Luca Camerano was appointed Chief Executive Officer by the Board of Directors in the meeting held on 17 May 2017*

***The Board of Directors attributed Mr Luca Camerano the additional role and responsibilities of Managing Director in the meeting held on 22 June 2017.*

The business address of the members of the Board of Directors of A2A (acting in their capacity as Directors of A2A) is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Unless their office is terminated early, all the members of the Board of Directors will remain in office until the shareholder's meeting called to approve the financial statements of A2A for the financial year ending 31 December 2019.

Committees of the Board of Directors

Under the authority conferred on it by A2A's by-laws, the Board of Directors has deemed it appropriate to establish specific committees, with members drawn from the Board of Directors, and to determine their powers and the rules for their functioning. Such committees have a consultative and advisory role.

This detailed framework clearly defines responsibilities, facilitates effective and timely decision making, provides for a balance of power and emphasises the central role of the Board of Directors in managing the Group and, in particular, determining and pursuing its strategic objectives. As at the date of this Base Prospectus, the following committees have been created within the Board of Directors:

- **Control and Risks Committee**, made up of four members: Mr Luigi De Paoli (Chairman), Mr Giovanni Comboni, Mr Enrico Corali and Ms Gaudiana Giusti.

- **Appointments and Compensation Committee**, made up of three members: Ms Alessandra Perrazzelli (Chairman), Ms Secondina Giulia Ravera and Mr Norberto Rosini.

- **Sustainability and Territory Committee,** made up of four members: Mr Giovanni Valotti (Chairman), Mr Giambattista Brivio, Mr Alessandro Fracassi and Ms Maria Chiara Franceschetti.

Independent directors

As at the date of this Base Prospectus, all the Directors (other than the Chairman and the Chief Executive Officer) meet the independence requirements prescribed by article 148, paragraph 3 of the Financial Services Act.

As at the date of this Base Prospectus, nine Directors meet the independence requirements prescribed by article 3 of the Corporate Governance Code for the directors of listed companies: Ms Alessandra Perrazzelli, Mr Giambattista Brivio, Mr Enrico Corali, Mr Luigi De Paoli, Mr Alessandro Fracassi, Ms Maria Chiara Franceschetti, Ms Gaudiana Giusti, Ms Secondina Giulia Ravera and Mr Norberto Rosini.

Significant positions held by the members of the Board of Directors outside the Group

The table below lists the positions on boards of directors, boards of statutory auditors and supervisory committees, as well as other positions, other than those within the Group, held by the members of the Board of Directors.

Board of Directors	Title	Other relevant positions held
Giovanni Valotti	Chairman	Chairman of Utilitalia
		Chairman of Confservizi
		Member of the General Council of Assolombarda
		Member of the General Council of Brescia Industrial Association (AIB)
		Chairman of the Internal Control System of the Italian Communications Regulatory Authority (AGCOM)
		Member of the National Council of Economy and Labour (CNEL)
		Member of the Assonime Council
		Member of the Aspen Institute General Council
		Member of the Institute for International Political Studies (ISPI) Board of Directors
		Chairman of Banco dell'Energia Onlus
Alessandra Perrazzelli	Deputy Chairman	Member of the Board of Directors of Monte Titoli S.p.A.
Luca Camerano	Chief Executive Officer and Managing Director	Vice President of Elettricità Futura
		Member of the Advisory Board and Strategic Committee of Elettricità Futura
		Member of the Executive Committee and Member of the Energy

Board of Directors	Title	Other relevant positions held
		Board of Directors of Utilitalia Member of the General Council of Assolombarda and Vice President of the Energy Group of Assolombarda
Giambattista Brivio	Member	None
Giovanni Comboni	Member	Member of the Board of Directors of O.R.I. Martin S.p.A.
Enrico Corali	Member	Chairman of the Institute of Services for the Agro-Food Market (ISMEA)
Luigi De Paoli	Member	None
Alessandro C. Fracassi	Member	Group CEO and Head of BPO Division of Gruppo MutuiOnline S.p.A.
Maria Chiara Franceschetti	Member	President of Fingefran S.r.l. President of Gefran S.p.A. Board Member of Camera di Commercio di Brescia Vice President of Executive Board of Anie Automazione
Gaudiana Giusti	Member	Member of the Board of Directors of Saes Getters S.p.A. Chairman of the Nomination and Compensation Committee at Saes Getters S.p.A.
Secondina Giulia Ravera	Member	Executive Chairman of Destination Italia S.p.A. Member of the Board of Directors of Reply S.p.A. Member of the Board of Directors of Infrastrutture Wireless Italiane S.p.A. Member of the Board of Directors of OTB S.p.A.
Norberto Rosini	Member	Member of the Board of Statutory Auditors of Banca di Credito Cooperativo Agrobresciano – Società Cooperativa Co-Director of Nofra S.r.l. Chairman of the Board of Statutory Auditors of Consorzio Servizi Valle Camonica Sole Director of Gironofra RE S.r.l.

Conflicts of interest of the members of the Board of Directors

As at the date of this Base Prospectus there are no potential or existing conflicts of interest between the duties of the members of the Board of Directors to A2A and their private interests or other duties.

Transactions with related parties

On 11 November 2010, the Management Board approved a new procedure to regulate the approval and execution of transactions with related parties entered into by A2A, directly or through subsidiaries, which was adopted in accordance with the provisions of Article 2391-*bis* of the Italian Civil Code as implemented by CONSOB Regulation No. 17221 of 12 March 2010 (as subsequently amended by CONSOB Regulation No. 17389 of 23 June 2010). This procedure replaced, with effect from 1 January 2011, any previous regulation for transactions with related parties approved by the Management Board of the Issuer and was subsequently amended on 1 August 2012, 7 November 2013, 18 December 2013, 22 June 2015, 20 June 2016 and 22 June 2017. For further information, see the paragraph headed "*Note on related party transactions*" of the section headed "*Notes to the consolidated annual report*" of the audited consolidated annual financial statements of A2A as at 31 December 2017 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Statutory Auditors

The shareholders' meeting held on 15 May 2017 appointed the Board of Statutory Auditors of A2A for a period of three financial years, until the shareholders' meeting called to approve the financial statements of A2A for the financial year ending 31 December 2019.

The following table sets out the current members of the Board of Statutory Auditors of A2A.

Name	**Position**
Giacinto Gaetano Sarubbi	Chairman
Maurizio Leonardo Lombardi	Member
Chiara Segala	Member
Sonia Ferrero	Substitute
Stefano Morri	Substitute

The business address of the members of the Board of Statutory Auditors of A2A (acting in their capacity as Statutory Auditors of A2A) is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Significant positions held by the Statutory Auditors outside the Group

The table below lists the positions on boards of directors, boards of statutory auditors and supervisory committees, as well as other positions, other than those within the Group, held by the members of the Board of Statutory Auditors.

Statutory Auditors	**Title**	**Other relevant positions held**
Giacinto Gaetano Sarubbi	Chairman	Member of the Board of Directors of Banca Mediolanum S.p.A. Chairman of the Board of Statutory Auditors of Salini Impregilo S.p.A. Member of the Board of Statutory Auditors of Società per Azioni Esercizi Aeroportuali SEA

Statutory Auditors	Title	Other relevant positions held
Maurizio Leonardo Lombardi	Member	Liquidator of Quadrifoglio Brescia S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.)
		Liquidator of Quadrifoglio Verona S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.)
		Liquidator of Quadrifoglio Piacenza S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.)
		Liquidator of Consorzio G1 in liquidation (subsidiary of CDP Immobiliare S.r.l.)
		Liquidator of Muggiorese S.r.l.
		Chairman of the Board of Liquidators of TT Holding S.p.A. in liquidation
		Chairman of the Board of Directors of Immobiliare Emmegidue S.p.A.
		Chairman of the Board of Statutory Auditors of E.FA.S. S.p.A.
		Member of the Board of Statutory Auditors of Confinvet F.L. S.p.A.
		Member of the Board of Statutory Auditors of Fondazione Piccolo Teatro – Teatro d'Europa
		Member of Advisory Board of Speculative Real Estate Investment Fund "Sammartini" managed by Generali Immobiliare Italia SGR S.p.A.
Chiara Segala	Member	Member of the Board of Directors of Ordine dei Dottori Commercialisti ed Esperti Contabili di Brescia**
		Chairman of the Board of Statutory Auditors of Openjobmetis S.p.A.
		Member of the Board of Statutory Auditors of Normalien S.p.A.
		Sole Auditor of Valpres S.r.l.
		Member of the Board of Statutory Auditors of ACI Brescia**
		Sole Auditor of Fondazione Casa Industria onlus**
		Member of Odv of Fondazione Casa Industria onlus **
		Alternate Auditor of Montini S.p.A.
		Alternate Auditor of C.A.E.M. Group S.r.l.
		Alternate Auditor of C.A.E.M. Soc. Coop. Art. Ed. Mant.
		Legal representative of Caprioli Rossini Segala Dottori Commercialisti Associati **
		Liquidator of Sigest S.a.s.
		** Association, Corporation or Foundation

Statutory Auditors	Title	Other relevant positions held
Sonia Ferrero	Substitute	Chairman of the Board of Statutory Auditors of Geox S.p.A.
		Member of the Board of Statutory Auditors of Banca Profilo S.p.A.
		Member of the Board of Statutory Auditors of IGI SGR S.p.A.
		Member of the Board of Statutory Auditors of MBDA Italia S.p.A.
		Member of the Board of Statutory Auditors of Valvitalia S.p.A.
		Member of the Board of Statutory Auditors of Valvitalia Finanziaria S.p.A.
		Member of the Board of Statutory of Atlantia S.p.A.
Stefano Morri	Substitute	Chairman of the Board of Directors of Fondazione Opere Educative
		Member of the Board of Directors of Sardegna Resorts S.r.l.
		Member of the Board of Directors of Porto Cervo Marina S.r.l.
		Member of the Board of Directors of Cantiere Porto Cervo S.r.l.
		Member of the Board of Directors of Pevero Golf S.r.l.
		Member of the Board of Directors of Safebay S.r.l.
		Member of the Board of Directors of Gesam s.r.l.
		Chairman of the Board of Statutory Auditors of Siemens S.p.A.
		Chairman of the Board of Statutory Auditors of Inovyn Produzione S.p.A. e Inovyn Italia S.p.A.
		Chairman of the Board of Statutory Auditors of F.I.M.I. Fabbrica Impianti Macchine Industriali S.p.A.
		Chairman of the Board of Statutory Auditors of several company of UCI Group
		Member of the Board of Statutory Auditors of IGI SGR S.p.A.
		Member of the Board of Statutory Auditors of Ladurner Capital Partners S.p.A.
		Member of the Board of Statutory Auditors of Carat Italia S.p.A.
		Member of the Board of Statutory Auditors of TETHIS S.p.A.

As at the date of this Base Prospectus all the statutory auditors meet the independence requirements prescribed by article 148, paragraph 3 of the Financial Services Act, and there are no potential or existing conflicts of interest between the duties of the members of the Board of Statutory Auditors to A2A and their private interests or other duties.

Independent Auditors

On 11 June 2015, the A2A shareholders' meeting approved the appointment of EY S.p.A. (**EY**) to act as the Issuer's independent auditors for the 2016-2024 period.

EY with registered office in Rome, Via Po 32, Italy, is registered under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori* Legali) held by the Italian Ministry of Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and is member of the Italian Association of Auditors (ASSIREVI). EY's current appointment will expire on the date of the shareholders' meeting convened to approve A2A's financial statements for the financial year ending 31 December 2024. EY have audited the Issuer's accounts in accordance with IAS/IFRS for the financial year ended on 31 December 2016 and the financial year ended on 31 December 2017.

REGULATION

The Group operates in highly regulated environment. Although this overview contains all the information that as at the date of this Base Prospectus the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the Group and of the impact they may have on the Group and any investment in the Notes and should not rely on this overview only.

For further information see the section headed "Evolution of the regulation and impacts on the Business Units of the A2A Group" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "Documents Incorporated by Reference", above).

EU Energy Regulation: The Third Energy Package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions by the European Commission. In this regard, following previous EU Directives regarding the single European energy market (EU Directives No. 96/92/EC and 98/30/EC, and EU Directives 2003/54/EC and 2003/55/EC), the European institutions have adopted the so-called "third energy package" (EU Directives No. 2009/72/EC and 2009/73/EC and Regulations (i) (EC) No. 715/2009 on conditions for access to the natural gas transmission networks, (ii) (EC) No. 714/2009) on conditions for access to the network for cross-border exchange of electricity and (iii) (EC) No. 713/2009 on the establishment of the Agency for the Cooperation of Energy Regulators (**ACER**)), aimed at completing the liberalisation of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States were able to choose between the following three options:

- Full Ownership Unbundling (**OU**). This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.

- Independent System Operator (**ISO**). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.

- Independent Transmission Operator (**ITO**). This option is a variant of the ISO option under which vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The third energy package also contains several measures that enhance consumers' rights, such as the right: (i) to change supplier within three weeks, and to receive the final closure account no later than six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to have complaints dealt with in an efficient and independent manner.

The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers.

Finally, the third energy package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the EU.

The Directives referred to above were implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**), that set up the following principles:

- Unbundling: the ITO model was selected for gas transportation, whereas the Italian electricity transmission company — Terna — was subject to ownership unbundling since 2005, according to the Decree of the President of the Council of Ministers (**DPCM**) dated 11 May 2004. Nevertheless, Law Decree No. 1/2012 (the so-called "*Cresci Italia*") imposed the ownership unbundling model also on the Italian incumbent — SNAM Rete Gas S.p.A., whose operational details are set forth by the DPCM dated 25 May 2012.

- Consumer protection:
  - In the gas sector, Third Package Decree provided further informative obligations to clients, and redefined so-called vulnerable customers, for which the ARERA (as defined below) establishes tariffs, and introduced guidelines for a default service, applicable to vulnerable clients without supply;
  - in the electricity sector, the scenario was confirmed and improved with more informative obligations to clients. As for the gas sector, a three week term for electricity supplier switching was set in place.

- Retail market: the rules concerning the supplier communication policies have been enhanced in order to prevent ambiguity and undue advantages.

- Regulatory authority for electricity and gas: The Third Package Decree provides that companies which are subjected to sanctions in respect of disputed behaviour may present to the ARERA (as defined below) their proposed commitments aimed at correcting the disputed behaviour.

Italian Energy Regulation

The Ministry of Economic Development (*Ministero per lo Sviluppo Economico* – **MSE**) and the Italian Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia, Reti e Ambiente* – **ARERA)** share responsibility for the overall supervision and regulation of the Italian electricity and gas sector.

While the MSE establishes the strategic guidelines for the electricity and gas sector, the ARERA:

- defines and updates the tariff method for determining electricity and gas network tariffs;

- defines and updates the tariff method for determining prices for energy and gas supply to vulnerable customers (just until June 30, 2019 pursuant to the Competition Law n. 124/2017 which approved the end of protection regimes starting from July 1, 2019);

- defines and updates the tariff method for determining the fees for both the integrated water service and the waste cycle and approves the tariffs prepared by the Territorial Authority (EGA) or other competent bodies;

- formulates observations and recommendations to the Italian Government and Italian Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;

- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers in cases where

standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;

- protects the interests of vulnerable customers, monitoring the conditions under which the services are provided, with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;

- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and

- reports to the *Autorità Garante della Concorrenza e del Mercato* (the **Antitrust Authority**) any suspected infringements of Law No. 287/1990 by companies operating in the electricity and gas sector.

In addition to regulation by the ARERA, the Antitrust Authority also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their suppliers.

For further information see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Italian Electricity Regulation

The regulatory framework for the Italian electricity sector has changed significantly due to the implementation of the European energy Directives (Directive 2003/54/EC and 2001/77/EC and, afterwards 2009/72/EC).

On 1 April 1999, the Bersani Decree implementing Directive 96/92/EC came into force in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by providers are eventually determined by competitive bidding and provided for a gradual liberalisation of the electricity market, providing that a number of customers (including, *inter alia*, those whose annual consumption of electricity exceeded specified amounts) (the **Eligible Customers**) would have been able to enter freely into supply contracts with power generation companies, wholesalers or distributors.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduced competition in power generation and sales to Eligible Customers, while maintaining a regulated monopoly structure for transmission, distribution and sales to subjects other than the Eligible Customers (i.e. the **Non-Eligible Customers**). In particular, the Bersani Decree and the subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of generation, import, export, purchase and sale of electricity;

- as of 1 January 2003, provided that no party shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;

- provided for the incorporation of Acquirente Unico S.p.A. (the **Single Buyer**), the company which stipulates and operates supply contracts in order to guarantee to the Non-Eligible Customers the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as equal treatment, including tariffs;

- provided for the creation of a power exchange market in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, other Eligible Customers and the Single Buyer will participate, with prices being determined through a competitive bidding process (the **Power Exchange Market**);

- provided for the incorporation of Gestore dei Mercati Energetici S.p.A. (the **Energy Market Operator** or **GME**), appointed to manage the Power Exchange Market; and

- provided that the transmission and dispatching services are reserved exclusively to the State and attributed under concession to the operator of the national transmission grid, while the activity of distribution of electricity is performed under a concession regime under the authority of the former Ministry of Productive Activities (the current MSE).

The Bersani Decree originally provided for separation between management of the national electricity transmission grid (which was to be managed by an independent Electricity Services Operator, the *Gestore della Rete di Trasmissione Nazionale*, the **GRTN**) from ownership of the grid assets.

Afterwards, Law Decree No. 239/2003, passed into Law No. 290/2003, providing for the unification of ownership and management of the national transmission grid into the same subject, was implemented by DPCM of 11 May 2004 and MSE Decree of 20 April 2005. The GRTN has been renamed *Gestore dei Servizi Energetici* S.p.A. (the **GSE**) and is entrusted with the promotion of energy from renewable resources, including CIP-6 electricity, besides being the holding company of the Energy Market Operator and the Single Buyer.

Moreover, Law No. 239/2004 (the so-called **Marzano Law**) reorganised the electricity market regulatory framework and provided that, as of 1 July 2004, only household clients should have been considered as Non-Eligible Customers.

Afterwards, Law Decree No. 73/2007, passed into Law No. 125/2007, introduced urgent measures to realise EU market liberalisation requirements, including:

- a requirement for companies owning grids supplying at least 100.000 customers to unbundle, as of 1 July 2007, distribution activities from sales;

- the empowerment of the ARERA to adopt measures for the functional unbundling (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electric and gas infrastructure from non-related operations for the purpose of ensuring independent and transparent infrastructural administration; and

- the right for household end users, as of 1 July 2007, to withdraw from their pre-existing electricity supply contracts and select a different electricity provider, according to the procedures set forth by the ARERA. The supply of energy to former Non-Eligible Customers not switching to the free market should have been guaranteed by the distributor or by one of its affiliates. The responsibility for supplying such clients remains with the Single Buyer.

The ARERA fixes electricity prices on the basis of supply costs paid by the Single Buyer to be applied to small end users not switching to the free market ("*servizio di maggior tutela*": residential customers and small businesses having (i) less than 50 employees and (ii) a turnover lower than Euro 10 million).

The Single Buyer also holds bidding procedures to identify providers of the last resort service ("*servizio di salvaguardia*"), which is rendered to all final customers who are not eligible for the *servizio di maggior tutela* and may temporarily find themselves without an electricity supplier.

As mentioned before, starting from July 1, 2019[9] the protection regimes will end pursuant to the Competition Law n. 124/2017, so by then the prices applied to all customers will be freely defined by the companies, who will also carry out the supply activities (currently carried out by the Single Buyer for the whole *servizio di maggior tutela*). All customers will have to choose a contract on the free market; however the consequences of a possible lack of choice are not yet clear as the Law doesn't provide a *servizio di salvaguardia* for sticky customers, and the dedicated ministerial decree is still missing.

In June 2011 the third energy package (as referred above) was implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**). As previously mentioned, the Third Package Decree sets provisions concerning unbundling, provides details concerning the activities granted to the national transmission grid operator, Terna S.p.A. (**Terna**), and strengthens consumer protection rules.

Generation

The Bersani Decree liberalised electricity generation. In order to increase the level of competition in the market, the Bersani Decree provided that, as of 1 January 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy.

In accordance with Legislative Decree No. 379 of 19 December 2003 the availability of electricity capacity must be regulated by a compensation mechanism aimed at assuring adequacy of the system to cover the demand with the necessary reserve margins. This capacity payment mechanism has to be based on the following principles: it must ensure transparency and it must not cause distortion in the market, while reducing the total costs for consumers.

In 2004, the ARERA established, by means of Resolution No. 48/2004, a provisional system of payments to remunerate producers that make generation capacity available to the electricity system at times of peak demand, known as capacity payments (**Capacity Payments**). Capacity Payments to a given producer include both (i) an amount due for capacity available on critical days identified formerly by the GRTN and now by Terna, and (ii) an amount payable when Power Exchange Market prices fall below specified thresholds, as an extra incentive.

Also, as a consequence of Law No. 75/2011 and of the outcome of the Referendum dated 12 and 13 June 2011 opposing the development of thermonuclear energy, the Capacity Payments system has been recently reshaped by ARERA by means of Resolution No. 98/2011 providing general criteria for the new mechanism, which will apply as from 2017. The Capacity Payment system will basically consist in Terna purchasing from producers (through specific tenders) options on generation capacity expected to be necessary in the following years in order to keep the electric system in balance. On the basis of the criteria provided by the ARERA, the grid operator (Terna) presented a proposal on the details of such mechanism. With resolution No. 375/2013, the ARERA verified the compliance of the scheme of the discipline for the new Capacity Payments system proposed by Terna.

With Resolution 6/2014/R/eel the ARERA started a procedure aimed at integrating the rules, also in compliance with the provisions of Law. No. 147 of 2013 (*Stability Law 2014*), that introduced flexibility services in the Capacity Payments system. The MSE Decree of 30 June 2014 finally approved the rules proposed by Terna and contextually provided for their entry into force. With Resolution 320/2014/r/eel of 30 June 2014, ARERA provided a proposal to MSE to integrate the transitional mechanism in order to remunerate the generation capacity, introducing flexibility services to deal with new requirements of electricity balancing system. At present, this mechanism is not carried out. In March 2015, ARERA with Resolution n. 95/2015/r/eel proposed to MSE to start the capacity market in 2017, first year of delivery. This resolution has not been effected. In April 2015, European Commission launched a sector inquiry into the

[9] At the Government level, the debate is currently ongoing. Therefore, the date could be subject to further changes.

existence and functioning of capacity mechanisms. The inquiry highlights the different types of capacity mechanisms which either already exist or are planned, including tender mechanisms, reserve mechanisms, targeted capacity mechanisms, central buyer mechanisms, de-central obligation mechanisms and capacity payment mechanisms. A2A was invited to participate at the inquiry and replied to it in June 2015. In August 2015, the Italian Government notified the European Commission – DG Energy about the capacity market according to MSE decree of 30 June 2014. Thereafter, the European Commission communicated several requests for clarification from the Italian Government. In April 2016, the EU published the "Interim Report of the Sector Inquiry on Capacity Mechanisms" in which the Italian capacity mechanism is envisaged as a mechanism that could meet European criteria.

Finally, after a long debate that involved the Government, Authority and the European Commission, on 7 February 2018 the EU Directorate-General for Competition approved the capacity mechanism proposed by Italian authorities for a ten-year period.

Promotion of Renewable Sources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation No. 6/1992 (**CIP-6**), which established incentives for new generation plants fed by renewable and assimilable sources and for the sale of electricity produced from the aforementioned sources. In November 2000, the former Ministry for the Industry (now MSE) issued a decree providing that, as of 1 January 2001, all the energy produced from renewable and assimilable sources should have been withdrawn by Gestore della rete S.p.A. (now Gestore dei Servizi Energetici S.p.A. - **GSE** - the former electricity services operator) at a price fixed by the ARERA. Afterwards, the Decree-Law no. 69/2013, as converted into Law No. 98/2013 (the so-called "*Decreto del Fare*"), revised the operating rules of the CIP-6 matter, introducing gas sector market references.

The Bersani Decree provided that, starting from 2001, all companies producing or importing more than 100 GWh per year of electricity generated from conventional sources should have introduced into the national transmission grid, during the following year, an amount of electricity produced from newly qualified renewable resources (the **Renewable Obligation**), initially amounting to at least two per cent. of such excess over 100 GWh, net of co-generation, self-consumption and exports (the **Green Certificates Quota**). Such Quota could have been produced directly or purchased from other producers who had obtained tradable "Green Certificates" (i.e. titles representing a fixed amount of electricity certified as generated from renewable sources).[10]

On 6 April 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from renewable sources. The main objective of the directive is the achievement of a 20 per cent. share of energy from renewable resources in the EU's final consumption of energy by 2020. In light of this objective, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been established at 17 per cent., in comparison to the 5.2 per cent. it had been assigned in 2005.

Pursuant to EU Directive No. 2009/28/EC, in March 2011 the Legislative Decree No. 28/2011 (the **Renewable Decree**), about the development of renewable sources, was published. The decree defines tools, technicalities and the criteria the incentives schemes aimed at achieving the production targets from renewable sources by 2020.

The incentive mechanism provided for by Decree No. 28/2011 is based on the following principles:

[10] The provisions regulating the Green Certificates mechanism introduced by the Bersani Decree were subsequently amended by Legislative Decree No. 387 of 29 December 2003 (implementing EU Directive 2001/77/EC), Law No. 244 of 24 December 2007 (the so-called 2008 Budget Law), Ministerial Decree dated 18 December 2008 (D.M 18 December 2008) and Law No. 99 of 23 July 2009 (Law No. 99/2009).

- incentives shall be paid for a period equal to the average conventional life-cycle period of the specific typology of Renewable Plant, starting from the initial date of operation thereof;

- once granted, incentives shall remain constant for the entire incentive period and may also take into account the economic value of the energy produced;

- incentives shall be granted pursuant to private law agreements to be entered into between GSE and the titleholder of the relevant Renewable Plant, based on a standard form to be produced by the ARERA

The incentive regime for the production of energy from renewable sources has been implemented by Ministerial Decrees of 5 and 6 July 2012 which apply in respect of, respectively, solar powered plants and electricity plants powered by renewable sources other than photovoltaic plants.The incentive scheme envisaged by Ministerial Decree of 6 July 2012 has been updated by Ministerial Decree of 23 June, 2016 which defines new incentives applicable to the production of electricity from sources such as wind, water, geothermal, biomass, biogas and bioliquids.

Ministerial Decree of 6 July 2012 establishes that for plants below a certain power threshold, tariffs shall be recognized (feed-in premium) with direct access or through subscription to records, while for those with higher power thresholds, an auction procedure is envisaged:

- Plants up to 5 MW benefit from a feed-in tariff. The amounts of the applicable feed-in tariff (which is fixed by a ministerial decree implementing the Renewable Decree) shall vary depending on the type of renewable source employed and the power capacity bracket to which the relevant plant belongs. The tariff applying on the date of entry into operation of the plant shall be maintained throughout the entire incentive period.

- Plants over 5 MW (or such higher threshold set forth with reference to different renewable sources) benefit from a feed-in tariff, the amount of which is determined on the basis of auctions by reduction (*aste al ribasso*) held by GSE. The procedures for the auction are managed by GSE.

The RES-E qualification, issued by GSE, is a technical pre-requisite necessary to be admitted to incentive mechanisms preceding the Ministerial Decree of 6 July 2012. The qualification allows for green certificates or the all-inclusive feed-in tariff, depending on the net electricity produced and fed into the grid.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Amendments to Regulations Governing Green Certificates

Besides (i) providing for an annual increase (0.75 per cent.) for the years 2007-2012 in the obligation to generate/import electricity from renewable resources as a percentage of the electricity generated/imported in the preceding year and produced by conventional sources, (ii) establishing the incompatibility of Green Certificates system with other incentive regimes and (iii) fixing the validity period of the Green Certificates in 15 years, Law No. 244/2007 (the so called "Budget Law for 2008"), with reference to power plants coming on line after 31 December 2007, updated the rules on Green Certificates and reintroduced a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable sources by certain small power plants.

The Green Certificates rules provided under the Budget Law for (as afterwards amended by Decree No. 28/2011):

- differentiate recognised Green Certificates by source using coefficients that are adjusted every three years;

- fix the price of Green Certificates issued by GSE – i.e. the current electricity services operator – at 78 per cent of the price originally calculated pursuant to Article 2(148) of the Budget Law for 2008 (i.e. the difference between Euro 180/MWh (value updated every three years) and the average annual price of electricity as established by the ARERA per cent); and

- provide that that at the request of the generator, the Electricity Services Operator can withdraw any Green Certificate (expiring that year) in excess in respect of those needed to fulfil the relevant obligation.

As previously mentioned, afterwards, Decree No. 28/2011 revised the matter, decreasing the percentages of obligations until 2015, set as expiry date of Green Certificates system.

The Green Certificate mechanism, provided for by Ministerial Decree of 6 July 2012, has been substituted by a new form of incentive as of year 2016. The subjects that have already been awarded a Green Certificate (holders of plants with RES-E qualification) will maintain the benefit for the remaining concessional period, but in a different form. In fact, according to the new mechanism, GSE pays a tariff in Euros on the net production of electricity additional to the revenues deriving from the increase in value of electricity (which can take place through the Simplified Purchase & Resale Arrangements or through the operator's recourse to the Free Market).

In order to transition to the new incentive mechanism, the holders of RES-E plants, that have already been awarded a Green Certificate, must sign an Agreement with GSE entitling them to benefit from the incentive tariff for the remaining period. The Agreement must be entered into through a new IT application: GRIN - Gestione Riconoscimento Incentivo (Management of the Incentive Recognition).

The MSE Decree issued on 23 June 2016 updating Ministerial Decree 6 July 2012 defines new rules to access the incentive system applicable as of for the years 2015 and 2016 confirming the general scheme provided by previous Decree.

On 25 March, 2016, GSE published a disclosure on the expiries of 2014 GCs and 2015 GCs in respect of which a request may be made to GSE for withdrawal, respectively, by 31 March, 2017 and 31 March, 2018. This clarification, strongly supported by operators, allows the confirmation of the storage of certificates and the possibility of using the GC warehouse until their expiry.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018, incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

CO_2 Emissions

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the EU **Emissions Trading Directive**) introducing an emissions trading system (EU ETS) to reduce greenhouse gas emissions. The EU ETS covers around 45% of the EU's greenhouse gas emissions and limits emissions from more than 11,000 heavy energy-using installations (power stations & industrial plants) and airlines operating between 31 countries (all 28 EU countries plus Iceland, Liechtenstein and Norway).

In October 2004, the EU also passed another directive (Directive 2004/101/EC, the **Linking Directive**), amending the Emissions Trading Directive to allow other flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive have been implemented in Italy by Legislative Decree No. 216/2006.

The EU Regulation No. 166/2006, concerning the establishment of a European Emission Register, has been implemented under Italian Law pursuant to Presidential Decree No. 157/2011.

The EU ETS works on the 'cap and trade' principle. A cap is set on the total amount of certain greenhouse gases that can be emitted by installations covered by the system. The “cap” is reduced over time so that total emissions fall. Within the cap, companies receive or buy emission allowances which they can “trade” with one another as needed. After each year a company must surrender enough allowances to cover all its emissions, otherwise heavy fines are imposed. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another company that is short of allowances.

From January 1, 2013 EU ETS is now in its third phase (2013-2020). EU rules guarantee to each member country a free allocation share (for existing plant free shares will be assigned by decision of the National Committee; for new plants free shares will be assigned on the basis of Law Decree No. 30/2013) and auctioning as the method for allocating allowances (instead of free allocation).

On 27 February 2018, the Council formally approved the reform of the EU ETS for the period after 2020: phase 4 for the period 2021-2030. The revised ETS directive is a significant step towards the EU reaching its target of cutting greenhouse gas emissions by at least 40% by 2030, as agreed under the EU's 2030 climate and energy framework, and fulfilling its commitments under the Paris Agreement.

Wholesale market

The Power Exchange Market is a marketplace for the spot trading of electricity between producers and consumers under the management of the Energy Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market at the system marginal price defined by hourly auctions. Otherwise they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the Power Exchange Market is the Single Buyer, a company the sole quotaholder of which is the Electricity Services Operator and which in turn is wholly owned by the Italian State. The Single Buyer has the goal of ensuring a continuous, secure, efficient and competitively-priced electricity supply to clients remaining in the "Universal Service" regime (consisting, since 1 July 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalisation process. Based on its own periodic estimates of future electricity demand and the MSE guidelines, the Single Buyer purchases electricity in the market on the most favourable terms and it sells this energy to retail companies supplying Universal Service clients. The Single Buyer is the largest wholesaler in the market, purchasing approximately 20 per cent of the total national demand.

The Single Buyer purchases electricity on the Power Exchange Market and through bilateral contracts (including contracts for differences) with producers and imports electricity. The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equalize the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the ARERA adjusts reference prices quarterly to reflect the ones actually paid by the Single Buyer.

Other participants to the Power Exchange Market are producers, integrated operators, wholesalers and some large electricity users. The ARERA and the Antitrust Authority constantly monitor the Power Exchange Market to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

The market was recently enhanced through the commencement of operations of new forward markets: (i) the forward physical market, "MTE", which is managed by the Energy Market Operator; and (ii) the derivatives

financial market, "IDEX", which is managed by *Borsa Italiana*. However most of transactions are concluded on OTC platforms managed by brokers, whose annual traded volume is higher than the whole Italian demand.

On 29 November 2008, the Italian parliament approved Legislative Decree No. 185/2008 (the **Anti-Crisis Decree**), which was subsequently passed into Law No. 2/2009. The provisions of the Anti-Crisis Decree concerning energy have been implemented by a ministerial decree issued by the MSE on 29 April 2009. The new rules set forth a series of measures to be implemented in the period 2009-2012, involving: (i) the adoption of a new mechanism to set prices on the day-ahead market; and (ii) the creation of an intra-day market and the development of the aforementioned forward markets. In addition to that, the MSE decree sets forth guidelines for the reform of the ancillary services market (**MSD**) which became operative as of 1 January 2010. These guidelines call for: (i) the segmentation of the market according to the services provided; (ii) the utilisation of new calculation procedures to select offers by implementing transparency criteria; (iii) separate accounting for costs according to the specific services purchased; and (iv) the reduction of the price of electricity by promoting competition in the electricity market. In June 2016, ARERA published a first consultation document (298/2016/R/eel) – which consultation period has elapsed on 5 September 2016 - regarding a future reform of the MSD, aiming at increasing the number of subjects involved in the provision of dispatch services.

With resolution 300/2017/R/eel, ARERA allowed participation in MSD to different subjects, such as demand side units, renewable sources (non-programmable relevant and non-relevant), programmable units not yet enabled and storage units through the so called “progetti pilota”. Terna has already proposed two “progetti pilota” approved by ARERA:

- The UVAC project (resolution 372/2017/R/eel) dedicated to demand side;
- The UVAP project (resolution 583/2017/R/eel) dedicated to non relevant production units.

In both these projects Terna proposed the aggregation of consumption units (UVAC project) and production units (UVAP project) with a minimum threshold of 1 MW. As stated by the resolution 422/2018/R/eel the UVAM project (aggregation of both consumption and production units) will start from November 2018. UVAP and UVAC projects will no longer exist since they will meet in UVAM projects.

Imports

The volume of electricity that can be imported into Italy is limited by the capacity of transmission lines that connect the Italian network with those of other countries and by concerns relating to the security of the system (currently, a maximum import capacity of approximately 8,040 MW is available to import energy safely). The planned construction of new interconnections in the near future will permit the import of more energy at a competitive price.

The rules for the assignment of interconnection capacity have been the same since 2007. Following agreement between Terna and neighbouring transmission system operators (**TSOs**) interconnection capacity rights for each border are jointly allocated by explicit auction (on a yearly, monthly and daily basis). Revenues arising from the auctions (which are shared evenly between the TSOs involved) and belonging to Terna are transferred onto clients on a pro rata basis by reducing the dispatching charges. On 20 December 2012, the MSE issued a decree providing for criteria and conditions applying to electricity imports during 2013 (the **Import Decree**). On 19 December 2013, the MSE issued a new Decree with the rules to be applied in 2014 and providing for the allocation of import capacity through a bidding system and introduces a "market coupling" mechanism for the daily import capacity allocation.

Commission Regulation (EU) 1222/2015 – Guideline on Capacity Allocation and Congestion Management (CACM) – defines details for the calculation of cross border capacity that market operators can use, keeping the system safe. Furthermore, CACM harmonises the operation of cross-border markets.

Transmission

The term "transmission" refers to the transport of electricity on high and very high voltage interconnected networks from the plants where it is generated or, in the case of imported energy, from the points of acquisition, to distribution systems. The national electricity transmission grid — as defined pursuant to Ministerial Decree of 25 June 1999 and subsequent amendments — which includes very-high voltage (380/220 kV) and high-voltage (G = 150 kV) lines, after the acquisition — and the subsequent reclassification from HV networks to national electricity transmission networks — of the grid owned by FS – Ferrovie dello Stato Italiane S.p.A. is held almost entirely by Terna.

Distribution

The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the former Ministry of Industry (now MSE). The current distribution companies will continue to perform that service on the basis of concessions issued by the Ministry of Industry in 2001, expiring on 31 December 2030.

The distribution companies are required to connect to their networks all parties so requesting, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions. Moreover, the ARERA set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

Tariff Structure

Pursuant to Law No. 481/95 the ARERA is in charge of establishing the tariff regime, in order to guarantee the following objectives: certainty, transparency, consumer protection, and harmonisation between economic and general social objectives. The tariff regulation is based on "regulatory periods" characterised by fixed duration and stable tariff rules. Starting from 1 January 2016 the sector has undergone a fifth regulatory period: the duration was set at eight years (2016-2023), compared with four years in the previous period, with an interim review every three years concerning some parameters of the Weighted Average Cost of Capital (**WACC**) – e.g. risk free rate, inflation and gearing.

While in the past the "cost-plus" method was adopted by the Regulator, since the third regulatory period it has been replaced by a mixed tariff methodology that makes use of the "price-cap" principle implemented with profit sharing arrangements to establish and update the operative costs recognised in tariff, and the "Revalued Historic Cost" method to estimate the value of the assets that have to be amortised and remunerated. The price-cap mechanism sets a limit on annual increases of the tariff share related to operative costs corresponding to the difference between the inflation rate and the predefined cost reduction rate (the **X-Factor**), and the efficiency gains are shared between companies and consumers; the Revalued Historic Cost is based on the effective capital expenditure sustained by a company, considering the inflation effects.

As mentioned, the fifth regulatory period is currently underway with respect to the regulation of electricity transmission, distribution and metering tariffs, set by the ARERA. The **WACC** for distribution and metering service, according to Resolutions 654/2015/R/eel and 583/2015/R/com, has been decreased to 5.6 per cent compared to 6.4 per cent for the fourth regulatory period; the next update of the WACC will take place within December, 2018. The X-Factor, applied only to the tariff share covering the operative costs, has been set at 1.9 per cent. for distribution services and at one per cent. for metering, so as to allow the higher efficiency gains achieved by the companies to be passed on to the end-user within eight and six years, respectively.

While the previous rules envisaged incentives, using differentiated WACCs (between +1.5 per cent. and +2 per cent.) and for a minimum of eight years, for specific types of investments in the distribution network,

such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, starting from 2016 incentives are recognised on an output based mechanism.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 reports on operations as at 31 December 2017and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Italian Natural Gas Regulation

The Decree No. 164/2000 (the so-called **Letta Decree**), implementing Directive 98/30/EC (the **First Gas Directive**), has gradually liberalised the Italian natural gas market and increased competition. The Letta Decree provided *inter alia* that, from 1 January 2003, all final customers be enabled to freely select their natural gas supplier.

The liberalisation process has been further strengthened by Directive 2003/55/EC and, then, by Directive 2009/73/EC, which has been implemented in Italy by Legislative Decree No. 93/11 (the **Third Package Decree**).

Also in the natural gas market starting from July 1, 2019[11] the protection regimes will end pursuant to the same Competition Law n. 124/2017 mentioned before, so by then the prices applied to all customers will be freely defined by the companies.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 reports on operations as at 31 December 2017and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Import

The Third Package Decree provides that import from the EU and non EU countries on the basis of long-term agreements via pipeline or LNG terminal is subject to an authorisation by the MSE approving the relevant gas supply agreement, whilst import pursuant to short-term agreements (up to one year) may be carried out upon a simple communication to be submitted to the MSE prior to execution of the relevant gas supply agreement. To the extent this authorization is not denied on the basis of objective and non-discriminatory criteria, it is deemed to be granted on expiry of the three-month period following the application date.

Transportation

Article 2(1) sub-paragraph (ii) of the Letta Decree, as amended by the 93/2011 Decree, defines the transportation activity as "*natural gas transportation aimed at supplying customers through a network which consists mainly of high-pressure pipelines, other than a network of upstream pipelines and other than gas pipelines which, even at high pressure, are mainly used for the local distribution of natural gas, with the exception of the supply*".

In compliance with the provisions set forth under Article 24 of the Letta Decree, the network code (*codice di rete*) concerning the transportation activity was drafted and approved by ARERA by means of resolution No. 75/03.

According to the Third Package Decree, natural gas transportation and dispatch are activities of public interest. Companies involved in these activities must guarantee access on a non-discriminatory basis, to any

[11] At the Government level, the debate is currently ongoing. Therefore, the date could be subject to further changes.

applicant user, on the conditions and tariffs established by the ARERA, and in accordance with the owner's network code,[12] provided that the connection works that are to grant such access are technically and economically feasible. Companies that carry out transportation and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function, including modulation. These companies are also responsible for the strategic storage of gas under MSE directives, and must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies.

From 1 January 2002, only operators exercising no activities in the gas production process, other than storage activities, may transport and dispatch gas. In all cases, all such activities must be accounted for separately.

The Third Package Decree strengthens the rules regarding unbundling of the different activities of the gas sector. It provides that operators owning transportation networks must be certified to ensure their independence from companies dealing with production, import or supply of natural gas (the Independent Transmission Operator model, which allows the vertically integrated operator to keep the ownership of the transmission network, has been initially selected for ENI, the Italian incumbent).

Subsequently, Decree No. 1 of 24 January 2012 (so-called "*Cresci Italia*") imposed to the Italian incumbent the adoption of the ownership unbundling model according to operational conditions set out by the Presidential Decree of 25 May 2012, thus causing the sale of the transportation network previously owned by ENI.

The Third Package Decree encourages also investments in network developments (international pipelines, LNG terminals and storages), by exempting operators from third-party access duties, in relation to part of the total capacity and for a period established on a case-by-case basis and in any event no longer than 25 years.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Storage

Players intending to use depleted fields or other geological formations as gas storage facilities must obtain a licence granted by the MSE pursuant to objective and not discriminatory procedures and criteria. These licences are granted for a maximum of 20 years. Natural gas storage services include: (i) strategic storage (*stoccaggio strategico*), aimed at coping with supply shortages or stoppages, or gas system crises; (ii) mining storage (*stoccaggio minerario*), aimed at ensuring that exploitation of natural gas fields in the Italian territory is carried out in an optimal manner, to the extent such storage activity is necessary for technical or economic reasons; and (iii) modulation storage (*stoccaggio di modulazione*), aimed at supporting modulation of daily, seasonal and peak natural gas consumption.

Holders of storage licenses are obliged to supply strategic, mining and modulation storage services to third-party users which so require, on the terms, conditions and tariffs established by the ARERA and in accordance with their own storage code (*codice di stoccaggio*). The uniform regulation of quality standards and storage services tariffs applying from 2011 through 2014 is contained in ARERA Resolution No. 119/10. From 2015 to 2018 (IV regulatory period) tariffs will be determined as defined by Resolution 531/2014/R/gas, while quality standards are still under consultation process. The ARERA Resolution No. 586/2014/R/gas, of 27 November 2014, declares the opening of a procedure aimed at the adoption of

[12] The network code is a general contractual instrument regulating the mutual rights and obligations of pipeline facilities operators and users. Each network owner/operator is required to adopt its own network code on the basis of a standard form approved by the AEEGSI.

regulatory measures for the development of the storage sector. The measures are expected to be issued by 31 March 2015.

According to the Third Package Decree, the storage and the transportation activities in a vertically integrated company must be managed on the basis of transparent and non-discriminatory criteria. The Third Package Decree also provides for incentives for investments in new natural gas infrastructure (interconnector pipelines, LNG terminals and storage sites) by exempting the investing entity from the obligation to provide third-party access for a period up to 25 years (exemptions may be granted on a case-by-case basis by the MSE in consultation with the ARERA).

Legislative Decree n. 130/2010 encourages the construction of new storage fields. It provides that operators holding a market share above 55 per cent. wholesale should start gas release procedures or, otherwise, should develop further storage capacity equal to 4 billion Smc. Players such as industrial and thermoelectric clients are allowed to access this capacity by investing in the relevant infrastructure. In addition, Article 5 of the Legislative Decree n. 130/2010 introduces provisions on the "*competitiveness of the natural gas market*" and Article 6 establishes the procedures by which final customers or consortia could participate in developing new storage capacity.

Pursuant to Law Decree No. 1/2012 (so-called "Liberalization Decree"), as modified by Law Decree No. 83/2012 (so-called "Development Decree"), in February 2013 the MSE issued two decrees that deeply modified the storage allocation criteria, by introducing auction procedures and supporting large customers in the assignment of the storage fields.

Distribution

Distribution is defined as the transport of natural gas through a network of local pipelines for delivery to end-customers. Gas distribution companies dispatch the natural gas through their own networks and connect any customer who so requests to the extent technically and economically feasible, according to rules determined by the ARERA. Licensees of distribution networks are obliged to grant access to any third party that so requests on the basis of tariffs set by the ARERA and in compliance with the network code approved by the ARERA itself. Moreover, the Authority set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities of the natural gas sector.

Over the years, the gas distribution regulation has been extensively reformed. The Letta Decree (as subsequently amended and integrated) established that natural gas distribution activities can be exercised only by operators to which a gas distribution concession for a period not exceeding 12 years has been granted pursuant to a competitive bid.

The Letta Decree also provided that distribution concessions which were in place as at 21 June 2000, awarded without a public tender, shall be terminated at the end of the so-called "transitory period", which duration depends on the specific awarding modalities and the characteristics of the single concessions of the case at issue. Pursuant to the Letta Decree and Legislative Decree No.159/2007, the MSE and the Minister for Relations with the Regions and Local Governments, must establish (i) criteria for the tender and evaluation of bids for gas distribution concessions, and (ii) the minimum geographical reference areas for the tenders.

A first decree, setting out the identification of the 177 territorial areas Italy has been divided into was published on 19 January 2011 and was followed by a second decree, defining the composition of the municipality included in the so-called *Ambiti Territoriali Minimi* (ATEMs), published on 28 October 2011. On 12 November 2011, the MSE adopted Ministerial Decree No. 226/2011, regulating the new tender procedure for the awarding of the distribution concessions within each ATEM and setting out standards for the calculation of the reimbursement value to be granted to the outgoing service provider, as well as for drawing up the call for bids and their evaluation. In particular, the aforementioned decree provides*, inter*

alia, that the new licensee acquires availability of the infrastructure only after payment of the reimbursement value to the outgoing provider and the takeover of the outstanding financial obligations. On parallel, in order to enhance the protection of workers involved in natural gas distribution activities, the MSE, in conjunction with the Ministry of Work and Social Politics, issued on 21 April 2011 a decree containing the so-called "welfare clause".

Law Decree No. 69/2013, converted into Law No. 98/2013 (the so-called "*Decreto del Fare*"), set the timetable for identifying the contracting authority and for the issuance of the tender notice. Afterwards, the "Destinazione Italia" Decree (Law Decree n. 145/2013) detailed the ARERA's role in tender procedures, and determined that the amount of compensation due to outgoing operators should be reduced by private contributions. MSE Decree of 22 May 2014, transposing the "Destinazione Italia" Decree's provisions, set out the guide-lines for calculating the amount of compensation due to outgoing operators, and further deferred timing for tender procedures.

Timing was finally set, by the Law Decree n. 91 of 2014 (***Decreto Competitività***, passed into Law n. 116/2014 and amended by Law Decree n. 210/2015 so called Milleproroghe), that also provided that the amount of compensation due in respect of the period after 11 February 2012 should be determined on the basis of the above mentioned guidelines.

Ministerial Decree 11 January, 2017 on "*Determination of national quantitative energy savings targets to be pursued by electricity and gas distribution companies for the years from 2017 to 2020 and for the approval of the new Guidelines for the preparation, execution and evaluation of energy efficiency projects*" also partially solved the uncertainty on the coverage, in terms of tariff contribution, of the titles generated by the energy efficiency projects proposed during the tender. In particular, the Decree provided that any certificates issued with respect to these projects and cancelled by GSE in the reference year will also reduce, by the same amount, the overall savings obligations of the following year. However, there are some remaining uncertainties, including the territorial constraint of the interventions offered as part of the tender.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Distribution Tariff Structure

The gas distribution tariff is set by the ARERA and is updated on a six-year basis.

With Resolution n. 367/2015/R/gas, the ARERA defined the methodology for determining the distribution and metering tariffs for municipal and over-municipal entrustments to be applied in the fourth regulatory period. For both, the new regulatory period is intended to last six years (2014-2019). For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Municipal/supra-municipal entrustments, and ATEMs entrustments: common rules

The ARERA confirmed the tariff decoupling system between the tariff valid for determining the operator's allowed incomes, and the tariff actually applied to customers. Any difference between them will be refunded by a compensation system. The tariff valid for determining the operator's allowed incomes is calculated in order to grant the financial remuneration of capital (as referred to t-1 year), to cover the depreciation charges, and to recognize operating costs determined parametrically and updated through the price-cap method. The WACC for the 2014-2015 period is 6.9 per cent. for distribution services, decreased to 6.1 per cent. for distribution services and 6.3 per cent. for metering services for the 2016-2018 period; the next update of the WACC will take place by December, 2018. Investment incentives will be possibly recognized inside quality

regulation's discipline. For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Municipal and supra-municipal entrustments: specific rules

The invested capital is determined upon the adjusted historical cost, while depreciation charges are calculated considering the same useful life of the third regulatory period (except for meters). Both the invested capital and depreciation charges' valorisation depend on how the operator considered contributions at 31 December 2011. The X-Factor to be applied in the 2014-2016 period is 1.7 per cent. for distribution services, and 0 per cent. for metering services. These values were confirmed also for the 2017-2019 period. For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

ATEMs' entrustments: specific rules

Specific rules will be applied from the entrustment's awarding. The invested capital will be determined depending on weather the operator is reconfirmed or not: in this first case, the value will be determined considering the net assets of areas recognized by ARERA. In case of takeover of a new operator, the invested capital will be equal to the refund value due to the out-going operator (VIR). The allowed operating costs are determined with reference to the size of the company and the density of its client base, and will be updated considering a X-Factor equal to 0 per cent. for the first two years (for the following years the X-Factor will be the one applicable to big operators with reference to the municipal and supra-municipal entrustments). For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the reports on operations as at 31 December 2017 and the half-yearly financial report of the Issuer for the six months ended on 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Sale

As of 1 January 2003, companies that intend to sell gas to final customers must obtain a licence from the Ministry of Productive Activities. Authorisation can only be denied on objective and non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, are entitled to sell gas.

Law 99/2009 introduces "Last-Resort Service" provisions applying to household clients. In this regard, the "Single Buyer" (a company indirectly owned by the State) is in charge by operation of law of identifying last-resort suppliers for household clients and small enterprises.

Moreover, Law No. 99/2009 foresees the constitution of a market exchange for the supply and sale of natural gas. Accordingly, the Decree issued by MSE on 18 March 2010 established the trading platform for the import gas exchange (P-Gas), managed by the Energy Market Operator (**GME**) in compliance with the principles of transparency, competition and non-discrimination.

Afterwards, in October 2010 an actual gas exchange was put into operation, with the GME playing a role of central counterparty (M-Gas platform, structured in day ahead market (MGP-Gas) and in intraday market (MI-Gas)).

In December 2011 the gas balancing market on the PB-Gas platform, managed by GME and with Snam Rete Gas playing a role of central counterparty, has been put into operation. The balancing market introduced an *ex-post* gas exchange session aimed at the balancing of the whole gas system and, accordingly, the respective positions of the market participants. A new session held the day before (G-1) was introduced in January 2013 aimed at introducing flexibility resources in addition to storage (entry-points, linepack, GNL, further storage capacity).

Lastly, in September 2013 negotiations started in the MT-Gas platform, the futures market managed by GME. In order to increase the MT market liquidity, the Law Decree n. 145/2013 ("*Destinazione Italia*") forced operators importing more than 10 per cent. of total to offer 5 per cent. of volumes imported on such a market, and to buy an equal amount.

Natural Gas Balancing Market

The natural gas balancing activity is "aimed at providing provisions for the coordinated use and operation of the cultivation, storage, transport and distribution networks and ancillary services". Balancing is therefore functional to maintain the balance over time of gas injections and withdrawals, an essential condition for network operation. Since 2011 and also in implementation of the provisions of the Third Package, the Authority has gone from a system in which gas balancing was "administered" to a "market" system where this activity is not only "internal" for the network operator but is also a service rendered to the users of the network which, together with transport, distribution, storage and re-gasification services, allows them to fulfil the contractual obligations to supply gas to its customers (end or wholesalers), at the time and for the quantities required. In particular, the balancing service entails the involvement of transport users that have the specific responsibility to ensure, for each relevant period (gas day), the balancing of gas injections and withdrawals within the network.

From 30 September, 2016 and until 31 March, 2017 the "transitional structure" of the gas balancing system was in force as per Resolution 312/2016/R/gas (TIB - Integrated Balancing Text - then amended by Resolution 349/2017/R/gas and 661/2014/R/gas), as implemented in the Natural Gas Market Discipline (MGAS Discipline) prepared by GME and approved by the Ministry for Economic Development with Ministerial Decree dated 16 November, 2016. During this transitional phase, the markets for trading of locational products (MPL) and storage gas (MGS) were organized within the regulatory framework of the Natural Gas Balancing Platform (PB-GAS). With Resolution 66/2017/R/gas, the Authority approved the Integrated Text relating to the provisions on regulatory conditions for the management of the physical gas markets ("TICORG") and approved the functional provisions to the implementation of the "regime phase" of the new gas balancing system contained in the TIB. In particular, this resolution determined:

• the operational termination of the PB-GAS with the execution of transactions concluded in the market sessions relating to the gas day 31 March, 2017;

• the termination of the agreement between GME and Snam Rete Gas (SRG), pursuant to Resolution ARG/gas 45/11;

• the application of the discipline of registration to the PSV also to transactions concluded on the MPL, which also becomes part of the MGAS;

• the stipulation of special agreements with storage companies in relation to the management of the information flows necessary for the operation of the MGS in which it is envisaged that: (i) the exchange of data and information between GME and STOGIT, which is used for the management of the SYM, continues to be carried out through SRG and (ii) participation in the MGS is limited only to the major storage company.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Tariff Structure

The ARERA Resolution No. ARG/gas 64/09, as subsequently amended and modified, defined the methodology for calculating the economic conditions of supply applicable to domestic customers with gas consumption lower than 200,000 m3/year (so-called "*Servizio di Tutela*", which does not opt to resort to the natural gas free market ("*Mercato Libero*")).

Furthermore, Art. 13 of Legislative Decree No. 1/2012 sets forth the progressive introduction of references to the price of gas registered in the European Markets for the updating process of the economic conditions of supply.

In this sense, starting from October 1, 2013 the method for calculating the economic conditions of supply to small customers has been deeply reformed by Resolution No. 196/2013/R/gas, which introduced specific spot market references and revised the whole tariff structure, leading to an overall reduction of the prices borne by end-users.

Heat and Services

District heating activities have not been subject to systematic regulations in Italy so far. District heating supply agreements with end users were subject to the general provisions of the Italian Civil Code and contracts with the municipalities were in different forms and address a diversity of activities: some local authorities bound operators to realise production plants and distribution networks as well as to sell the service to other customers that allow such activities to be carried out without imposing any constraints or engage in any control activity; the regional standards were also different. Each company determined prices for district heating at its own discretion, without being subject to any specific regulatory requirements regarding the determination of the tariffs or the methods of their calculation. Most companies, however, fixed tariffs with reference to the cost of natural gas for similar usage.

This solution has maintained equivalent costs for the two categories of energy providers (gas and district heating) and as a result the customers receive equal treatment.

In March 2014, the Antitrust published the District Heating Survey's results, highlighting a competitive layout, and advocating nevertheless a legislative framework for the sector.

On 4 July 2014, the Legislative Decree no. 102, implementing the EU Directive 2012/27/UE, concerning energy efficiency, disposed that the ARERA should define:

- quality, continuity and safety standards;
- connection and disconnection procedures and tariffs;
- pricing and service conditions' means of communication; and
- pricing, in case of compulsory connection.

In the year 2016 and 2017 ARERA started monitoring the sector through the operators' census and specific data collections. In addition, operators were consulted on commercial quality measures, accounting unbundling, and price transparency. With the Resolution n. 24/2018 ARERA has defined the criteria for determining connection fees and disconnection procedures.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the reports on operations as at 31 December 2017 and the half-yearly financial report of the Issuer for the six months ended on 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above)

Regulations applicable to the supply of public services

The Article 3-*bis* of Law No. 148/2011 and subsequent amendments establishes that LPS involving networks should be operated on an optimal and homogenous territorial basis and incentives for local authorities have been put in place in order to promote competitive procedures to assign the service management.

On 20 October 2012, Law Decree n. 179 of 18 October 2012 (the **Urgent Measures for the Country Decree**) came into force. Article 34, paragraphs 20 to 27 of such decree, regulates LPS.

The Urgent Measures for the Country Decree also considers transitional provisions applicable to LPS agreements in existence on 20 October 2012. According to such decree, the public entities are required to publish a report relating to existing agreements addressed to the local public services organisation by 31 December 2013. By this same deadline (as subsequently deferred; see below), public entities are also required to introduce a termination date for existing mandates which did not envisage any. Existing mandates which still do not provide for a termination date will be terminated by 31 December 2013. As a result, pursuant to Article 34, where existing mandates comply with requirements laid down for local public utilities by the applicable EU law, they can carry on providing their services beyond 2013 provided that a termination date has been set by the competent public entities. As mentioned, further rules (especially Law n. 150/13) again postponed the 31 December 2013 deadline, and the Stability Law under discussion in the Italian Parliament is, *inter alia*, going to defer it further. Mandates given to listed companies or companies controlled by a listed company will continue up to the termination date established in the relevant agreement and, where a termination date is not provided for, up to 31 December 2020. Please note that article 34 does not apply, in relation to the Group's business, to gas distribution and energy distribution services.

Furthermore, the Law n. 124 of 7 August 2015 on the Reform of the Public Administrations (the so-called "**Madia Law**"), in force since 28 August 2015, has entrusted the Government with mandate to adopt a Legislative Decree reforming local public utilities. It is made up of 23 articles divided in four parts: 1) administrative simplification; 2) organization; 3) personnel; 4) mandates for the law simplification. The Decree has conferred 14 legislative mandates upon the Government in order to provide this reform with full granularity through the issue of specific Law Decrees .

However, the Regulation of Public Local Services was partially affected by Law 124/2015 because, to date, the Government has released only the Legislative Decree 175/2016, as subsequently amended by Legislative Decree No. 100/2017 concerning municipally controlled entities but not the Decree that pertains to the reorganization of local public.

Water services regulation

The previous scenario was defined by Law No. 36/1994 (the **Galli Law**) that reformed deeply the entire industry. Its main distinctive features can be summarised as follows:

- the Law defined clearly each service included in the Integrated Water Service (SII): water for non-industrial purposes intake, transportation and distribution carried out together with drainage and sewage disposal;

- Italian regions had to identify the Integrated Water Districts (*Ambiti Territoriali Ottimali* – **ATO**), in order to manage the SII efficiently. For each ATO, a water district authority (*Autorità di ambito*

territoriale ottimale – **AATO**) was in charge of SII strategic planning, operator identification, supervision and tariff calculation; and

- establishment of an integrated tariff system for both fresh water and waste water services applied to all customers within each ATO. Pursuant to article 13 of Law No. 36/94, the Ministry of the Environment issued the Decree of 1 August 1996 defining the "normalised method" to be applied by each AATO in order to calculate the tariff in each district.

The water regulation was then partly modified by Legislative Decree No. 152 of 3 April 2006 (the **Environmental Code**) that implemented Law No. 36/1994, better specified AATO duties and characteristics and, in addition, defined criteria for service assignment to in house companies (i.e. a company completely owned by local authorities). It must also be noted that, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning water discharge disposal have been introduced within Legislative Decree No. 231/2001 (the **Decree 231**) on entities administrative responsibility.

Afterwards Legislative Decree No. 4 of 16 January 2008 further modified the scenario, providing that water services in the same district could be assigned to different operators, while Law No. 42/2010 suppressed the existing AATOs and put the Regions in charge of AATO powers redistribution. Up to now, 31 December 2012 is set as deadline for undertaking these actions.[13] Regions have modified their own regulation in order to implement such rules.

Finally, Decree No. 70 of 13 May 2011 established the Italian Agency for water services regulation and surveillance, in charge of quality standards and tariffs, from 1 January 2012.

In 2011 the regulatory framework of water services underwent significant change:

- Referendum held on 12-13 June 2011:
  - According to Question No. 1, the Article 23-bis of the Law No. 133/11, concerning local public services normative, was repealed. It defined the criteria for local services assignment and management of public local services, including water services (while the recent Law No. 148/2011 does not include water services);
  - According to Question No. 2, Article 154 paragraph 1 of the Legislative Decree No. 152 of 3 April 2006 (the Environmental Code that embodied the Galli Law) was modified in order to exclude asset remuneration from tariff calculation;
- Decree No. 201 of 6 December (as turned into Law No. 214/11): Article 21, paragraphs 13 and 14 abolished the Italian Agency for water services regulation and surveillance, and transferred its powers (to be itemised through a Prime Minister Decree) to the Regulatory Authority for Electricity and Gas and the Ministry for the Environment.

Due to the mentioned events, and pursuant to the Law No. 42 of 26 March 2010, the service assignment duties are up to the institutions that will have to be identified by Regions, while industry design and evaluation criteria will have to be compliant with the Italian Legislation which is still applicable and to the European Law. In the future the Legislator may intervene to clarify and consistently reorganise the subject. Article 21 of Law Decree No. 201/2011 (converted in Law No. 214/2011) transferred the functions concerning the regulation and surveillance of water services to the ARERA[14] and to the Ministry of Environment and Protection of Land and Sea (MATTM).

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[13] Lombardia Region, by means of regional law No. 26/2003 as modified by regional law No. 21/2010, transferred the functions of the AATO to the Province; instead in relation to the Municipality of Milano, the functions of AATO have been transferred to the Municipality itself.

[14] Previously assigned to the National Agency for the regulation and surveillance on water.

Presidential Decree of the Minister Council (D.P.C.M) dated 20 July 2012 provides in details which are the functions that ARERA shall carry out.

The powers of ARERA and MATTM regards, in particular, tariff matter.

As for tariff issues, according to Decree No. 201 of 6 December 2011 and to the mentioned referendum results, the ARERA with resolution 585/2012/R/idr approved the temporary tariff method (MTT) for the 2012-2013 period. The MMT is based on ex-post regulatory criteria (accounting data of the n-2 year) and on the full cost recovery principle. With Resolution 643/2013/R/idr the ARERA then defined the water tariff method (MTI) for the 2014-2015 period, and set rules concerning procedures and timing for approving the 2012 and 2013 tariffs, whereas ATOs didn't issue specific approval acts. With Resolution 664/2015/R/idr the ARERA defined the integrated urban water management tariff method (MTI-2) for the 2016-2019 period with an asymmetrical and innovative regulation. The determination of the bond of the operators revenue (VRG) is based on the recognition of costs (fixed assets through depreciation and the related financial and tax charges, efficient operating costs and other operating costs such as for electricity costs, costs for the purchase Wholesale, etc.). The rates can not be greater than the change to the specified price limit for each operator (less than a reasoned request from the Local Authority approved ARERA), and are implemented through a tariff multiplier of the fixed and variable fees charged to users.

ARERA also introduced rules regarding the contractual quality, service standards and frequency of collection of user measures. Finally with Resolution 137/16/R/com ARERA has expanded to integrated urban water management the accounting unbundling requirements already in force for the other regulated sectors.

The absence of a national framework for the organisation of the service and its concession methods require the immediate application of Italian regulations and Community legislation.

By application of Legislative Decree No. 152/2006 and relevant regional legislation, integrated water services must have supra municipality dimensions, must be integrated — by attributing all the component assets in the hands of a single manager — must impose on the single manager a single concession, must provide control powers to the ambit authority and to ARERA, must ensure compliance of the regime of instrumental assets, the tariff regime defined by ARERA and the exclusivity of the service in favour of the single manager.

In the end, Law Decree No. 179/2012, as converted into Law No. 221/2012, defined the transitory period for water service.

In particular, Article 34 of such Law Decree states that direct entrustments as of 1 October 2003 to listed companies (or to companies owned by listed companies) should expire as stipulated in the contract, otherwise by 20 December 2020. Moreover, the aforementioned article 34 provides general criteria in order to ensure compliance of the integrated water service regulation with the community principles in this matter.

With Resolution 465/2014/R/idr, complying with the provisions of the Law Decree n. 133/2014 (the so-called "*Sblocca Italia*", converted into Law No. 164/2014), the ARERA extended to June 2015 the procedure aimed at defining the standard agreements between the foster entity and the service provider. Since it was waiting for the converstion into Law of the Decree, the ARERA started implementing rules concerning the composition of ATEMs, based on a unique (and not united) entrustment criterion. Several provisions of the "*Sblocca Italia*" Decree are designed to strengthen the so-called "single management" principle based on which a single IWS manager must be selected for each district (with a view to overcoming the services fragmentation that still characterises several areas). To that end, the new article 172 of Legislative Decree No. 152/2006 provides the following: (a) on expiry of one or several existing concessions within a single IWS district, the end-users of which amount, in aggregate, to at least 25 per cent. of the population of such district, the relevant Territorial Authority must award the IWS concession to a single manager, to the effect

that such newly-appointed single manager shall step into the position of the existing IWS providers, to the extent the latter were appointed in compliance with the regulation then in force and their award was not terminated by operation of law on expiry of the relevant concession agreement; and (b) on expiry of existing concessions within a single IWS district, the end-users of which amount, in aggregate, to less than 25 per cent. of the population of such district, the relevant Territorial Authority shall award the relevant IWS for a duration in any case not exceeding that required to achieve such 25 per cent. threshold, or for a duration not exceeding the outstanding tenor of the existing concessions, provided that the latter are scheduled to expire ahead of the other concessions and the number of their end-users (in aggregate with that of the concessions falling within the scope of the award) amounts to not less than 25 per cent. of the overall population of the relevant district.

With Resolution 917/2017/R/idr ARERA defined the technical quality regulation of the Integrated Water Cycle in order to improve the infrastructure system according to the multiannual program organized by specific objectives for Capex and Opex. A premium/penalty mechanism will be active only in the next years as the national benchmark to quantify its amounts and economic impacts is not yet available.

Considering the amendments to the Legislative decree n. 152/06 due to the article 7 of the Law Decree n. 133/14 (as then amended), the Territorial Authority selected for the ATO of Brescia a private-public partnership company as the single manager for the Integrated Water Service. According to the following pronouncement by the interested municipalities, the decision was confirmed by the district board.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Waste regulation

The national waste framework legislation is included in the environmental code under Decree No. 152/2006 (the **Environmental Code**), which defines criteria and rules concerning waste management. The Environmental Code also shares responsibilities among the operators active in the waste management system.

The Environmental Code, issued by the Italian Government in April 2006 in order to reorganise the national environmental legislation, has been modified and implemented through various regulations after its original publication. The Environmental Code provides for civil, penal and administrative sanctions in case of violations of its provisions.
Article 1, paragraphs 527-530, of the Budget Law 2018 (Law 27 December, 2017, no. 205) attributes to the Authority for Electricity, Gas and the Water System, renamed Regulatory Authority for Energy, Networks and Environment (ARERA), specific regulation and control functions of the “urban waste” management service.

The purposes of the aforementioned rules are to improve the service regulation system, guarantee of accessibility, usability and homogeneous dissemination of the same, achieve adequate levels of quality in terms of effciency and cost-effectiveness of management, harmonize economic-financial objectives with general social and environmental objectives and appropriate use of resources and achieve infrastructural adaptation to European objectives to overcome infringement procedures.

The perimeter of the regulation of ARERA, which in terms of the type of waste will concern urban and similar waste, also collected in a differentiated manner, consists of the following functions:
1. issue guidelines concerning accounting unbundling, costs evaluation, efficiency benchmarks;
2. define the quality levels of the service and the standard management agreement ;
3. consumer rights protection;
4. definition of standard schemes for service contracts;

5. setting and update of the tariff method for determining the fees for the integrated waste service and the individual services that constitute it according to the principle of cost coverage, based on the assessment of effcient costs and the "polluter pays" principle;
6. set and update tariff criteria to establish the waste treatment fee;
7. approve the tariffs;
8. verify the waste local Plan and suggest proposals;
9. advocacy and formulation of proposals.

New regulation is effective since 1 January 2018 and ARERA, after changes in the organic plan, started with preliminary survey of the factual state of the sector and the segmentation of the individual waste cycle activities in order to apply new power on quality, protection rights and tariff method.

With regard to the financing of assets, the Authority reserves the right to assess whether to apply as from 2018 the contribution "*not exceeding one per thousand of revenues for the last financial year*" to be collected from regulated operators.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Environmental Code

The Environmental Code contains the majority of the national legislation on environmental issues and it implements the main EU directives on waste treatment regulating waste management and remediation of contaminated sites, laying down measures to protect the environment and human health, preventing or reducing the negative impacts of production and waste management, reducing overall impacts of resource use and improving efficiency. Urban waste collecting and treatment is an activity conducted in the publics' interest and qualified as a local public service (**LPS**). Waste management is carried out in accordance with the principles of precaution, prevention, sustainability, proportionality, accountability and cooperation of all parties involved in the production, distribution, use and consumption of goods which originate from the waste and under the principle of responsibility of the polluter (the so called "polluter pays" principle). To this end, the management of waste is carried out according to criteria of effectiveness, efficiency, economy, transparency, technical and economic feasibility, and in compliance with existing rules on participation and access to environmental information. The waste management takes place in accordance with the following hierarchy of principles: (a) prevention, (b) preparation for reuse; (c) recycling; (d) other recovery — *i.e.* the recovery of energy — and (e) disposal.

The municipal waste management is organised on the basis of ATOs, bounded by the regional plan under the criteria of: (a) overcoming the fragmentation of management through an integrated waste management service; (b) achievement of adequate managerial dimensions, defined on the basis of physical, demographic, technical criteria and based on the political-administrative divisions; (c) adequate assessment of the road system and rail communications in order to optimise the transport within the ATO; (d) enhancement of common needs and affinities in the production and waste management; (e) survey of waste management facilities already built and in operation; and (f) consideration of the previous boundaries for the new ATOs so as to ensure that the latter deviate from the previous ATOs only on the basis of justified reasons of effectiveness, efficiency and economy. ATOs are established by the regions; some regions have decided not to establish them.

According to the Environmental Code, with reference to municipal waste (**MW**), the regional authorities have to define waste management plans in order to organise and integrate waste collection, treatment and disposal within the "optimal management areas" (**ATOs**). Each optimal management area consists of certain number of municipalities. The targets on separate collection of municipal solid waste must be reached within the ATO. The area of each ATO is defined by Regions.

According to national criteria, regional plans on waste management must include several provisions, such as:

- measures to ensure a reduction in the quantity, volume and hazardousness of waste;
- identification of ATOs;
- provisions to avoid soil and water pollution, arising from municipal and industrial waste landfilling;
- measures to prevent waste production and encourage reuse, recycling and recovery; and
- measures to promote waste collection and management within the regional territory.

Law Decree No. 2 of 25 January 2010 (converted into Law No. 42/2010) provided for the abolition of the ATO's starting from 1 January 2011; such term has subsequently been extended until 31 December 2012. By this deadline, regional governments were required to re-assign, by means of specific regional laws, to new regional entities, the functions previously performed by the ATOs, in accordance to the principles of subsidiarity (*sussidiarietà*), differentiation and adequacy.

The Environmental Code has been subject to significant revisions that have had significant repercussions on the activities of the companies operating in the waste sector, since the entry into force of first level and EU implementation provisions. Further amendments are expected as a result of the further implementation of recent European regulations.

Landfill disposal

Legislative Decree No. 36 of 13 January 2003 implements the Landfill Directive (Council Directive No. 1999/31/EC), which aims to prevent, or to reduce as far as possible, the negative environmental effects of landfill.

Decree No. 36/2003 requires companies that operate a landfill to carry out a series of activities (including collection, storage and disposal of the percolate, aspiration, combustion and energy retrieval of the bio-gas) for a period of 30 years after closure of the landfill. The price applied by the operator for landfill disposal must cover the costs for landfill management for at least 30 years after closure.

Waste tariff mechanism

Law Decree No. 102/2013 introduced the so-called Service Tax (tax on municipal services), which entered into force in 2014, replacing the previously applicable TARES (tax on waste). Law No. 147 of 27 December 2013, paragraphs 639 and ff., modified by Law Decree No. 16 of 6 March 2014, has reformed the local tax system by introducing specific taxes on real estate properties (IMU), waste (TARI) and inseparable services (TASI).

TARI is intended to ensure full coverage of costs relating to waste management services (collection, recovery and/or disposal) sustained by the municipalities. All those possessing or using a property shall pay TARI, in relation to "urban waste" produced on said property, that is both households waste and waste originating from industrial and commercial premises, which, pursuant to the municipality regulations, shall be managed as waste generated by households. Tax rates are defined by municipalities based on the net living-space of the property, the type of business activities carried out there, the number of people living there, the ordinary average quantity and quality of waste produced by square metre in the municipality concerned, as well as on the reference values provided by the the so-called "normalised method" regulated under Presidential Decree No. 158 of 27 April 1999.

A revision of the tariff method due to new regulation powers of ARERA is expected in the future.

With respect to the nature of waste tariff, is has to be underlined how, in July 2009, with Decision No. 238/2009, the Constitutional Court declared that the waste tariff pursuant to Article 49 of TIA1,was to be qualified as a tax and therefore not subject to VAT. Following this decision, the Italian government, by means of Law Decree No. 78 of 31 May 2010, under Article 14, paragraph 33, provided that TIA2 was to be interpreted as a tariff of "*non taxation nature*" and therefore subject to VAT. With the provisions set forth under Art. 14 of Law Decree No. 201/2011, the Italian legislator has clarified that the new tariff that will be applied starting from 1 January 2013 is a tax and therefore not subject to VAT.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Hydroelectric

For further information on laws applicable to the hydroelectric sector see "*Licences – Hydroelectric plants*" above.

TAXATION

General

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

Taxation in the Republic of Italy

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of the Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This overview also assumes that the Issuer is organised and that the Issuer's business will be conducted as outlined in this Base Prospectus. Changes in the Issuer's tax residence, organisational structure or the manner in which the Issuer conducts its business may invalidate this overview.

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) from securities (i) falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the Italian Presidential Decree No. 917 of 22 December 1986, as amended (**Decree No. 917**), (ii) issued, *inter alia*, by companies whose shares are listed on an Italian regulated market, such as the Notes.

For this purpose, pursuant to Article 44 of Decree No. 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

Italian Resident Noteholders

Pursuant to Decree No. 239, where an Italian resident Noteholder, who is the beneficial owner of the Notes, is: (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership or professional association, (iii) a non-commercial private or public institution or non-commercial trust, or (iv) an investor exempt from Italian corporate income tax (in each case, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an authorised intermediary and has opted for the so-called "*risparmio gestito*" regime, see under paragraph "*Capital Gains*", below), interest payments in respect of Notes are subject to a final substitute tax (***imposta sostitutiva***), levied at the rate of 26 per cent. (either when such Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an Italian resident individual or non-commercial private or public institution engaged in a business activity and are effectively connected to its business activity, then Interest (i) will be subject to the *imposta sostitutiva* on account of income tax due and (ii) will be included in the relevant Noteholder's annual corporate taxable income to be reported in the income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

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 relating to certain eligible financial instruments if the latter are included in a long-term savings account (*piano individuale 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**), as amended by Law Decree No. 50 of 24 April 2017, converted, with amendments by law No. 96 of 21 June 2017.

Pursuant to Decree No. 239, *imposta sostitutiva* is generally applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stock exchange agents and other entities identified by relevant decrees of the Ministry of Economics and Finance (the **Intermediaries** and each an **Intermediary**).

The Intermediaries must: (i) be (a) resident in Italy, or (b) a permanent establishments in Italy of Intermediaries resident outside Italy; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to apply the *imposta sostitutiva*, an Intermediary opens an account (the **single account**) to which it credits the *imposta sostitutiva* in proportion to the Interest accrued. In the event that more than one Intermediary participates in an investment transaction, the *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder or by the Issuer.

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) and the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then payments of Interest on Notes will not be subject to the *imposta sostitutiva*, but Interest accrued on the Notes must be included in the relevant Noteholder's annual corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for the purposes of regional tax on productive activities – **IRAP**) to be reported in the income tax return and are therefore subject to general Italian corporate taxation according to the ordinary tax rules.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called discretionary investment portfolio regime (the *risparmio gestito* regime, as described under "*Capital Gains*", below). Where the investor is an Italian open-ended or closed-ended investment fund, a SICAV (an investment company with fixed capital other than a Real Estate SICAF) or a SICAF (an investment company with variable capital), established in Italy (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to imposta sostitutiva in the hands

of the relevant Noteholders; a withholding tax of 26 per cent. will be levied on proceeds distributed by the Fund or received by certain categories of noteholders upon redemption or disposal of the units (the **Collective Investment Fund Tax**).

Italian pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 (the **Pension Funds**) are subject to a 20 per cent. substitute tax on their annual net accrued result. To the extent that the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then Interest on Notes held by Pension Funds will not be subject to *imposta sostitutiva* but will be included in the calculation of said annual net accrued result. Subject to certain conditions, Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1 (92) of Finance Act 2017 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1 (100-114) of Finance Act 2017 as amended from time to time.

Under the current regime provided by law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, Law Decree No. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of Interest in respect of the Notes made to Italian resident real estate investment funds and Italian real estate SICAFs established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 (together, the **Real Estate Funds**), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of such real estate investment funds, provided that the Notes, together with the relevant coupons, are timely deposited with an authorised Intermediary.

Non-Italian resident Noteholders

Interest payments relating to Notes may be exempt from taxation with respect to certain beneficial owners of the Notes resident outside of Italy, without permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to Decree No. 239, as amended, subject to timely compliance with all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as outlined in brief below, an exemption applies to any non-Italian resident beneficial owner of the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Italian tax authorities included in the white list provided for by a decree to be issued pursuant to Article 11 (4) (c) of Decree No. 239, as amended by Article 10 of Legislative Decree No. 147 of 14 September 2015 (currently, reference is made to the list included in the Ministerial Decree of 4 September 1996, as amended and supplemented from time to time, the **White List**); or (ii) is an international body or entity set up in accordance with international agreements entered into force in Italy; or (iii) is a Central Bank or an entity also authorised to manage the official reserves of a State; or (iv) is an "institutional investor", whether or not subject to tax, which is established in a country included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central

Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

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 relating to the certain eligible financial instruments if the latter are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital Gains

Italian Corporate investors (including banks and insurance companies)

Capital gains realised by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) on sale, transfer or redemption of the Notes will form part of their aggregate income subject to corporation tax (**IRES**). In certain cases (depending on the status of the Noteholder), capital gains may also be included in the taxable net value of production of Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes. The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years for IRES purposes.

Italian resident individuals

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. Noteholders may set off any losses with their gains.

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 on capital gains realised upon sale or redemption of certain eligible financial instruments if the latter are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholders holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. 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 66**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and

(ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, Noteholders are not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

(c) In the "*risparmio gestito*" regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent., to be paid by the managing authorised intermediary. Any

depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Noteholders are not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Italian Funds

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva* on capital gains in the hands of the relevant Noteholder; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Italian Pension Funds

In case of Notes held by Italian Pension Funds, capital gains on the Notes will contribute to determine the annual net accrued result of same Pension Funds, which is subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to 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 individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017.

Italian Real Estate Funds

Italian Real Estate Funds are not subject to any substitute tax nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Non-Italian resident Noteholders

The 26 per cent. *imposta sostitutiva* may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration - *autocertificazione* - of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions of any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Legislative Decree No. 461, Decree No. 350 of 25 September 2001 and Decree No. 239, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected that qualify for the exemption from *imposta sostitutiva* under the applicable provisions of Decree No. 239 — are exempt from

taxation in Italy on any capital gains realised upon sale for consideration or redemption of the Notes, subject to timely filing of the required documentation;

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to taxation in Italy, subject to timely filing of the required documentation, on any capital gains realised upon sale for consideration or redemption of the Notes.

Fungible issues

Pursuant to Article 11 (2) of Decree No. 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Inheritance and gift taxes

Subject to certain conditions, transfer of Notes, *mortis causa* or by reason of donation, are subject to inheritance and gift taxes, provided that the issuer is resident in Italy.

Inheritance and gift taxes apply according to the following rates and exclusions:

(a) transfers to spouse and to direct relatives: 4 per cent. of the value of the notes exceeding Euro 1 million for each beneficiary;

(b) transfers to brothers and sisters: 6 per cent. of the value of the notes exceeding Euro 100,000 for each beneficiary;

(c) transfers to relatives (*parenti*) within the fourth degree, to direct relatives in law (*affini in linea retta*), indirect relatives in law (*affini in linea collaterale*) within the third degree other than the relatives indicated above: 6 per cent. of the value of the notes;

(d) other transfers: 8 per cent. of the value of the notes.

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, Euro 1,5 million.

Transfer tax

Contracts relating to the transfer of Notes are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011, converted by Law No. 214 of 22 December 2011 (**Decree No. 201**), as subsequently amended and supplemented by Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to any periodic reporting

communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies, on a yearly basis, on the market value of the Notes, or lacking such value, on the nominal or reimbursement value of such instruments, at a rate of 0.2 per cent.

The proportional stamp duty does not apply to communications sent by Italian financial intermediaries to subjects not qualifying as clients, as defined by Provision of the Governor of Bank of Italy dated 20 June 2012. Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds.

For subjects other than individuals the maximum applicable stamp tax is equal to Euro 14,000 per annum. Periodical communications to clients are presumed to be sent at least once a year, even though the intermediary is not required to send any such communication. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client. At any rate, where no specific exemption applies, a minimum stamp tax of Euro 34.20 is due on a yearly basis.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value is available – on the nominal value or on the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Italian financial transaction tax (IFTT)

As of 1 January 2014 Noteholders entering into Notes not providing for the Issuer's obligation to repay the principal invested upon redemption (which Notes fall within the category of atypical securities), mainly having as underlying or the value of which is mainly linked to Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer, are subject to IFTT at a rate ranging between Euro 0.01875 and Euro 200, depending on the notional value of the relevant securities calculated pursuant to Article 9 of the Ministerial Decree of 21 February 2013, as amended. IFTT applies, under certain conditions, upon subscription, negotiation or modification of these Notes or the underlying assets or reference value.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as recently amended, individuals resident in Italy who, during the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Foreign Account Tax Compliance Act (FATCA)

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, in either case unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions – 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 Notes, including the 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 FATCA withholding.

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, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the 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 per cent. Such withholding tax will be in full discharge of

income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, 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 per cent.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). 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. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are 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.

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 FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 20 November 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act 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 or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons 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

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision 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 MiFID II; or

(ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA 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;

- 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:

(i) 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

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this 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) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**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:

(i) 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

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

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 has been duly authorised by a resolution of the Board of Directors of the Issuer dated 6 November 2014.

The issue of Notes under the Programme will be authorised prior to each relevant issue of Notes by the competent bodies of the Issuer in accordance with applicable laws and the relevant provisions of the Issuer's By-Laws. Each issuance resolution (*delibera di emissione*) shall be passed in notarial form and registered in the competent Companies' Register (*Registro delle Imprese*).

Approval, Listing and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent:

(i) the by-laws (*statuto*) of the Issuer (with an English translation thereof);

(ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2017 and 31 December 2016 and the Interim Report at 30 June 2018 (with an English translation thereof) together with the audit reports or limited review report, as applicable, prepared in connection therewith;

(iii) the report on operations for the financial year ended 31 December 2017;

(iv) the consolidated disclosure of non-financial information in accordance with Italian Legislative Decree no. 254/2016 for the year ended 31 December 2017;

(v) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith (if applicable). The Issuer currently prepares audited consolidated accounts on an annual basis and unaudited consolidated interim accounts on a semi-annual basis;

(vi) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(vii) a copy of this Base Prospectus; and

(viii) any future Base Prospectus, prospectuses, information memoranda, supplements and Final Terms (save that in the case of any Notes not admitted to listing, trading and/or quotation by any listing

authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of the documents referred to at paragraphs (ii), (iii), (v) and (vi) above are and/or will be, as the case may be, available on the website of the Luxembourg Stock Exchange at www.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 and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Adverse Change

Save as disclosed in the sections "Description of the Issuer – Further relevant information" and "Description of the Issuer – Significant events after 30 June 2018" above, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2018 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2017.

Litigation

Save as disclosed in the sections "*Description of the Issuer – Legal proceedings*" and "*Description of the Issuer – Significant events after 30 June 2018 – Award of the tender for Milan 1 – City and Plant of Milan ATEM and related litigation*" above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The current independent auditors of A2A are EY S.p.A. For further information on EY S.p.A. please see "*Description of the Issuer* – Independent Auditors" above.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note, except if required by any applicable laws and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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