BASE PROSPECTUS

Italgas S.p.A.

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

€3,500,000,000

Euro Medium Term Note Programme

Under this €3,500,000,000 Euro Medium Term Note Programme (the **Programme**), Italgas S.p.A. (the **Issuer, Italgas** or the **Company**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,500,000,000 (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 assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**").

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (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 (as implemented in the relevant Member State(s)).

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

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

The Notes have not been and will not be registered under the U.S. 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 the 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.

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

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation, will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Risks related to the market generally*" in the "*Risk Factors*" section of this Base Prospectus.

Amounts payable under the Notes may be calculated by reference, *inter alia*, to EURIBOR, which is provided by the European Money Markets Institute, or to LIBOR, which is provided by ICE Benchmark Administration Limited, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of 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 the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). As at the date of this Base Prospectus, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to the Benchmarks Regulation.

Arrangers

BNP PARIBAS

UniCredit Bank

Dealers

Banca IMI
BNP PARIBAS
Crédit Agricole CIB
ING
Société Générale Corporate & Investment Banking

Barclays
Citigroup
J.P. Morgan
Mediobanca
UniCredit Bank

The date of this Base Prospectus is 8 November 2018.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

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.

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

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

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

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

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

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

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

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

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including the United Kingdom, the Republic of Italy (*Italy*) and France) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA (each an *EU Member State*) which has implemented the Prospectus Directive (each, a *Relevant Member State*) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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, with effect from such date, 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 ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for

offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

All references in this document to *Euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended and all references to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars.

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

MIFID II Product Governance / Target Market – The Final Terms in respect of any Notes may include a legend entitled "MIFID II product governance / Professional investors and ECPs only target market" 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 Directive 2014/65/EU (as amended, "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 a Tranche of Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

SUITABILITY OF INVESTMENT

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 investment laws and regulations, or review or regulation by certain

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

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

RISK FACTORS

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

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

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

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

Risks associated with the concentration of the activities of the Italgas Group in Italy

Italgas is active, either directly or through its subsidiaries and unconsolidated investee companies, in natural gas distribution in Italy. The future results of Italgas will therefore reflect the economic performance of these activities.

The Italgas Group activities will be influenced by the uncertainty linked to the renewal of gas distribution concessions following the Local Tender Processes, as well as by the quantification of the reimbursements provided for the outgoing operator pursuant to the applicable regulations. Unfavourable developments in these areas could have significant negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

Risks associated with the potential competitiveness in the sector in which Italgas operates

The Italgas Group is the leader in the natural gas distribution segment in Italy, with a market share of 30% (or approximately 34% including affiliates) in 2017, in terms of the percentage of end-customers connected to the network (RP). As at the date of this Base Prospectus, the natural gas distribution market is fragmented. However, in recent years, it has undergone a process of restructuring and consolidation[1]. It is believed that, in the future, with the implementation of the Local Tender Processes for the allocation of the natural gas distribution service and through M&A activities, this market consolidation process will continue, presenting the opportunity to exploit economies of scale and operational synergies.

If Italgas were unable to respond adequately to the activities carried out by its competitors, there could be negative effects on the Italgas Group's operations, results, balance sheet and cash flow.

Market and competition risks. Risks associated with the expiration and renewal of gas distribution concessions

[1] As the ARERA's figures confirm (see the 2018 Annual Report of 31 March 2018, Table 3.10) the number of operators decreased from 227 in 2011 to 211 in 2017 (there were more than 700 in 2000), in view of the Local Tender Processes. The number of operators is also expected to decrease substantially after these Local Tender Processes (Italgas estimates that the number could drop below 100).

Gas distribution activities, where the Italgas Group is active, are carried out pursuant to concessions issued by individual municipalities. As of 30 June 2018, the above-mentioned concessions, which are held by Italgas Reti S.p.A. (**Italgas Reti**) and its gas distribution subsidiaries come to a total of 1,601, of which 1,269 have expired. In the Italgas Strategic Plan, the Italgas Group assumes that the expired concessions are re-assigned to the winner of the tenders provided for by the applicable legislation during the period 2018-2024. Therefore, the percentage of Italgas Reti's revenues coming from expired concessions represents the maximum risk of potential loss of revenue as at the date of this Base Prospectus, and, consequently, of the margins of the Italgas Group in the event that – after participation in the tenders – it does not obtain the re-assignment of some of the expired concessions, it being understood that, in such a case, the Reimbursement Value (as defined in "*Glossary of Terms and Legislation Relating to the Issuer*" below) would be paid. Given the lack of information on the margins for each concession, the Issuer assumes a proportional correlation between loss of revenues and EBITDA losses.

For the sake of completeness, it should be noted that the issue relating to the expiration of concessions concerns not only the Italgas Group, but all operators active in the gas distribution sector in Italy. In this regard, from the moment the gas distribution service is qualified as a public service, the companies of the Italgas Group – also following the expiry of the concession – continue and should continue with the management of the service (and be remunerated), limited to the ordinary administration, until the start date of the new concession (Article 14.7 of Legislative Decree No. 164 of 2000).

From 2011, Ministerial Decree No. 226 of 12 November 2011 ("**MD 226**" or "**Tender Criteria Decree**") sets out that the gas distribution service can only be conducted on the basis of tender processes announced exclusively for ATEMs, predominantly of a provincial size. For this purpose, the Italian territory has been sub-divided into 177 ATEMs.

Each ATEM is made up of a combination of municipalities served by distribution plants that must be managed by a single concession holder (*concessionario*), which shall be selected through a public tender procedure. The average size of ATEMs identified is around 110,000 users and stretches from a minimum of around 20,000 to a maximum of around 1,300,000 users. The maximum lenght of the commitment is 12 years.

Initially, the concentration of the Local Tender Process was expected for the years 2015, 2016 and 2017. However, the timetable for tenders issued by the Ministry of Economic Development has been updated on some occasions. The Law Decree (n. 210/2015), converted into law in February 2016, reviewed the tender publication dates, leaving the overall time limits virtually unchanged. Afterwards, the "Milleproroghe" Law Decree (n. 244/2016), converted into law in February 2017, extended by further 24 months the time limit to launch the tenders for the ATEMs affected by the 2016 earthquakes.

At the date of this Base Prospectus, only 23 invitations have been published for a total of 24 ATEMs (Cremona 2 and Cremona 3 were grouped together), of which two were withdrawn, two others have been annulled by a judicial decision (Venezia 1 and Alessandria 2) and four were suspended by the contracting authority. Certain other of those published invitations were subject to legal actions by different operators, which challenged that such invitations were not made fully in compliance with the relevant legislation. Submissions by operators for three tenders (Milano 1, recently awarded, Torino 2, in the way of being awarded, and Belluno which is still subject to litigation) and three pre-qualifications requests (Perugia 2, Udine 1 and Udine 3) have instead occurred. For a further six invitations to tender, the bid submission dates, or rather the pre-qualification request dates, were postponed. Finally, the Region of Calabria has appointed commissioners *ad acta*, in order to start the tenders in two ATEMs (Cosenza 1 and Reggio Calabria – Vibo Valentia).

The criteria used to evaluate tender offers for natural gas distribution service concessions are governed by MD 226. The criteria for granting concessions provides for the following: 28 points for the monetary offer (taking into account the rate discount, the services offered to the clients and the fees to be paid to the relevant municipality); 27 points for the management offer (taking into account the quality and safety of the service

offered), and 45 points for the technical offer (taking into account the offeror's assessment of the status of the networks and the offeror's ability to implement and improve the investment plan of the contracting entity in connection with the extension, maintenance and technical innovations).

At the date of this Base Prospectus, it is not yet possible to express a definite evaluation concerning each element of the new concession allocation system, and there is not a one way interpretation of some elements of the new regulatory framework.

Under the tender processes launched, the Italgas Group may not be awarded concessions in the planned areas, or may be awarded said concessions under conditions that are less favourable than the current conditions, with a possible negative impact on its operations, results, balance sheet and cash flow. It should, however, be pointed out that, if the concessions relating to previously managed municipalities are not awarded, the companies of the Italgas Group will have the right to be paid the Reimbursement Value in favour of the outgoing operator, calculated in accordance with MD 226. It is possible that the Reimbursement Value of the concessions resulting from the Tenders, where a third party is an assignee, is below the value of the RAB. Such a case could have significant negative effects on the assets and on the balance sheet, income statement and financial position of the Italgas Group.

Under the tender processes launched, Italgas Reti and its subsidiaries may be awarded ATEM concessions previously managed entirely or partly by other operators; therefore it is not possible to rule out that these awards could, at least initially, involve greater running costs and capital expenditure for Italgas Reti and its subsidiaries compared with their operating standards.

Given the complexity of the regulations governing the expiration of the concessions, this and the outcome of any Local Tender Process could give rise to judicial and/or arbitral disputes between concession-holders, including Italgas Reti and its subsidiaries, and third parties, with possible negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

Risks associated with the reimbursement provided to the outgoing operator

With regard to gas distribution concessions, Article 14, paragraph 8 of Legislative Decree No. 164 of 2000 establishes that the new operator is obliged, *inter alia*, to pay a sum to the outgoing distributor equal to the Reimbursement Value for the plants whose ownership is transferred from the outgoing distributor to the new operator. Specifically, MD 226 provides that the incoming operator acquires ownership of the gas distribution facilities only upon payment of the reimbursement to the outgoing operator, with the exception for any portions of the facilities that are already under municipal ownership or which become municipally owned as a result of any free donations.

As a result of these regulations, there could be cases in which the amount to be reimbursed is lower or higher than the value of the Regulatory Asset Base (RAB).

The RAB of the Italgas Group on 31 December 2017 was approximately €5.85 billion[2], as the sum of the Local RAB (as defined in "*Glossary of Terms and Legislation relating to the Issuer*" below) of approximately €5.5 billion and the Centralised RAB (as defined in "*Glossary of Terms and Legislation relating to the Issuer*" below) of approximately €0.3 billion.

The Reimbursement Value of the total portfolio of the concessions of the Italgas Group, net of free assignments, is based on the method provided for by Article 5 of MD 226, as amended, and by the Guidelines (as defined in "*Glossary of Terms and Legislation relating to the Issuer*" below), making an exception for concessions that, based on the aforementioned regulation, provide for specific contractual stipulations regarding the calculation of the Reimbursement Value (Roma Capitale, City of Venice, Naples

[2] RAB as of 31 December 2017 refers to the last RAB defined for regulatory purposes (RAB for tariff definition 2017), increased by the investments made in 2016 and 2017 and reduced by the share of annual depreciation and amortisation for 2016 and 2017.

and other smaller municipalities). Pursuant to the legislation in force, these specific contractual agreements prevail over the general criteria set out in the Guidelines and result in:

(i) prior to the issuance of Legislative Decree 164/2000, from concessions awarded by direct negotiation;

(ii) subsequently and until the issuance of MD 226, by tender announced by individual municipalities with very different rules between tenders;

(iii) with the publication of MD 226 and the obligation to carry out the Local Tender Processes, such differences shall be overcome through the adoption of a notice and tender specifications, in addition to a standardised service agreement.

It is possible that the Reimbursement Value of the concessions resulting from the Tenders, where a third party is an assignee, will be below the value of the RAB. Such a case could have significant negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In 2012, Italgas Reti won the tender awarding the concession for a natural gas distribution service in the municipality of Rome, which represents the most significant concession in Italgas' portfolio (Roma Capitale concession includes about 1.3 million RPs out of a total for the Italgas Group of about 6.6 million, equal to approximately 20%). Upon the outcome of the tender, for which the Local Tender Processes regulation still did not apply, a service agreement was signed for a term of 12 years, which is due to expire on 20 November 2024. The municipality of Rome has made the network, facilities and buildings instrumental to the service available to Italgas Reti for the entire term of the service agreement.

The Reimbursement Value for the Roma Capitale concession was estimated as the sum of:

(i) the amount paid to the municipality of Rome at the beginning of the concession (November 2012) as a one-off payment for the management of the service, net of amortisation as of 31 December 2017 calculated for the duration of the agreement and on the basis of the remaining Reimbursement Value at the end of the concession, as provided for in the agreement; and

(ii) the value of cumulative investments starting at the beginning of the concession, in accordance with the provisions set out in the agreement, and, in particular, with reference to their partial acknowledgement within the Reimbursement Value, net of related amortisation. The contractual terms of the concession signed with the Roma Capitale provide that 50% of the investments made during the first three years of the concession will be free of charge.

As of 31 December 2017, Italgas Reti has estimated the RAB related to the Roma Capitale concession to be about €1.4 billion (equal to approximately 24% of the RAB total of the Italgas Group). It cannot be excluded that, at the time of expiration of the service agreement, the difference between the Reimbursement Value and the RAB value relating to the Roma Capitale concession could be higher than the one estimated as of 31 December 2017.

If concessions for municipalities previously managed by Italgas Reti or its subsidiaries are awarded, based on the analyses conducted by the regulatory framework in force and under the scope of existing IAS/IFRS international accounting principles, the event would be represented in the financial statements together with the situation before the tender and thus without recording the greater values, therefore not resulting in the realisation of taxable income for the purpose of IRES and IRAP.

Because of the complexity of the applicable regulations, this could result in the risk of different interpretations, with possible negative effects on the balance sheet, income statement and financial position of the Italgas Group. At the date of this Base Prospectus, no specific interpretations were noted of the

above-mentioned applicable legislation that could cause negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

Regulatory risk

The Italgas Group conducts its main business in the gas distribution sector, which is a highly regulated sector. The relevant directives and legal provisions issued by the European Union and the Italian government, the Italian Parliament the resolutions of the ARERA and, more generally, changes to the legislative (including accounting and fiscal legislation) and regulatory framework (including EEC regulation) may have a significant impact on the Italgas Group' operations, results and financial stability.

Considering the specific nature of Italgas Group's main business and the context in which it operates, changes to the regulatory context with regard to the criteria for determining reference tariffs are particularly significant.

With Resolution 573/2013/R/gas, as supplemented and amended by Resolution 367/2014/R/gas and Resolution 775/2016/R/gas, the ARERA set the criteria for determining the tariffs for gas distribution and metering services for the fourth regulatory period.

The regulatory period was set at six years, from 1 January 2014 to 31 December 2019, with a three-yearly review of targets for changing the annual productivity rate to be applied to the unitary costs recognised to cover the operating costs of distribution, metering and marketing services. The amounts for annual productivity rates were updated last year, so that they are applied as of 1 January 2017.

Future changes to European Union or Italian legislative policies, which may have unforeseeable effects on the relevant legislative framework and therefore on the Italgas Group's operating activities and results, cannot be ruled out. The same applies to the regulatory framework.

For further information please refer to the section "*Regulatory and legislative framework*" below.

Risks associated with the limited number of Shippers

The Italgas Group provides its services to the users of its distribution network (i.e., companies selling gas to final users) who purchase gas from Shippers or Traders (as defined in "*Glossary of Terms and Legislation relating to the Issuer*" below) and who, in turn, sell to other Traders or, usually, to end customers, namely those who consume the gas for their own use and who are connected to the distribution network at the Redelivery Points (**RPs**), each availed of meters for the measurement of gas redelivered.

Users of distribution access local natural gas distribution infrastructures through the services provided by the Italgas Group, pursuant to the Network Code for distribution approved by the ARERA.

The existing regulatory framework gives distribution users who are in possession of the necessary requirements the right to access the above-mentioned distribution infrastructures. This right is accompanied by the symmetrical obligation of the infrastructure operators to guarantee access on the basis of the terms and conditions defined by the Network Code for distribution approved by the ARERA.

The main clients of Italgas Reti and its subsidiaries are investment grade companies. Any non compliance by such distribution users, whose contracts have generated approximately 70% of the core business revenues of Italgas in the first half of 2018, or a delay in complying with their obligations, could have negative effects on the operations, results, and economic and financial position of the Italgas Group.

Risks associated with the execution of Italgas's strategic plan

On 12 June 2018, the Board of Directors of Italgas approved a new strategic plan defining the guidelines and the targets of the Italgas Group for the 2018 - 2024 period (the **Italgas Strategic Plan**) updating the strategy announced with the previous strategic plan (2017-2023).

The Italgas Strategic Plan contains, and was drawn up on the basis of, hypotheses and estimates relating to future developments and events that could affect Italgas Reti and its subsidiaries' operating sectors, such as estimates concerning the demand for natural gas in Italy in the medium to long term or changes to the applicable regulations, or the timetable for future tender processes for gas distribution concessions in the various minimum geographical areas.

The Italgas Strategic Plan is the result of a simulation process forecasting the economic, capital, and financial parameters for the Italgas Group and was constructed on the basis of actual data as of 31 December 2017.

The Italgas Strategic Plan provides for objectives identified on the basis of substantial continuity in the existing regulatory environment and of the unfolding of the effects of management actions (the **Forecast Data**).

The Forecast Data is based on assumptions as to the occurrence of a set of future events and actions that include, among other things, general and hypothetical assumptions concerning future events – subject to the risks and uncertainties that characterise the current macroeconomic environment – actions that will not necessarily take place and events or other factors that may have an impact on the performance of the major capital and economic figures of the Italgas Group, and which the directors (the **Directors**) and the management of Italgas cannot influence or may only be able to do so partially (in combination, the **Hypothetical Assumptions**).

In particular, these Hypothetical Assumptions envision the following, among other things:

(i) the success of the transactions for the financing of new debt requirements or refinancing of debt that will expire, including its planned subsequent listed bond issues;

(ii) the effectiveness of the timetable for future tenders for the awarding of the gas distribution service in the various ATEMs envisioned by the management of Italgas. The timetable provides for completion of the tender processes by the end of 2023;

(iii) fulfilment of the success rate envisioned by the management of Italgas in relation to future tenders for the awarding of the gas distribution service in the various ATEMs in which the Italgas Group plans to participate;

(iv) the representative character of the RAB (Regulatory Asset Base) value as an estimator of the Reimbursement Value recognised for outgoing operators within the scope of future tenders for the awarding of the gas distribution service in the various ATEMs for each of the concessions in the Italgas Group scopes of interest in the plan period;

(v) realisation of the estimates concerning the demand for natural gas in Italy in the medium to long term or changes in the applicable rules.

Furthermore, the assumptions relating to changes in the macroeconomic and regulatory environment and to the dynamics of the benchmark rates underlying the Italgas Strategic Plan were formulated in working out the currently available forecasts. In particular, it is noted that the Forecast Data were developed assuming an average annual inflation rate of about 1% in the plan period, for the purposes of updating the value of RAB. It is also noted that the Italgas Strategic Plan was developed by referencing the current competitive structure.

For the period of 2018 – 2024, the Italgas Strategic Plan has scheduled overall investments of Euro 5.6 billion, of which about Euro 1.6 billion related to tenders and about Euro 4.0 billion without considering tenders.

Out of the 4.0 billion above, about Euro 0,8 billion are referred to Sardinia and M&A initiatives, while about Euro 3.2 billion are related to 2017 base perimeter, of which about 2.0 billion refers to network, 0.53 billion to metering (assuming the completion of traditional meters replacement by 2020) and 0.31 billion aimed at digitization.

During the 2017 financial year, technical investments of Euro 522 million were made, of which more than 40% were for measuring activity.

The Italgas Strategic Plan assumes the existence of conditions for market share growth from the current approximately 30% to almost 40%, at the end of the Local Tender Processes, in terms of the number of Redelivery Points (RP) of the consolidated perimeter of the Italgas Group, corresponding to more than 8 million RPs managed, compared to about 6.6 million in existence. The above reflects a hypothesis where Italgas Group is awarded around 80% of the tenders in which it will participate.

The technical investments plan for the current scope of operations, in conjunction with the planned programme of acquisition of new concessions, will enable the estimation of a consolidated RAB growth to a CAGR of around 5% in the plan period, starting from Euro 5.85 billion at the end of 2017. In view of the delay that could affect timetable of Local Tender Processes, Italgas has taken and could continue to pursue M&A opportunities, with a strict financial discipline, in order to anticipate tenders timing and enlarge and optimize concession portfolio, increasing competitiveness in tender process.

Should the market share growth objectives indicated in the Italgas Strategic Plan not be met, the Issuer will continue with its own programme of organic investments and the efficient operation of distribution and measuring activities.

If the events and circumstances hypothesised or relied upon by the Board of Directors when drawing up the strategic plan, including the evolution of the regulatory framework, fail to materialise, the future operations, cash flow and results of the Italgas Group may differ from those set out in the Italgas Strategic Plan; that could also have an impact on the ability of Italgas to meet its payment obligations in accordance with the loan agreements and/or to comply with any covenants under the actual agreements.

Furthermore, the historical consolidated results and the historical financial and operating situation may not be indicative of future financial and operating performance. There can be no guarantee whatsoever that, in the future, Italgas Reti and its subsidiaries' profitability will remain at current levels, or that the regulatory system will not evolve in a manner that is unfavourable to the Italgas Group.

Risks associated with environmental protection and the restoration of polluted sites

Environmental risks may affect the activities and/or the building/development of Italgas Reti and of new networks by the newly acquired companies.

Italgas Reti is and may in the future be subject to reclamation obligations relating to certain sites where an industrial activity has been carried out in the past, like the distillation of coal for gas production or oil cracking for gas production. The environmental obligations include also the removal and decommissioning of obsolete facilities and machinery and the disposal of material containing asbestos.

At 30 June 2018, Italgas Reti provision for risks associated with the reclamation amounted to € 129 million. This represents the best estimate at the reporting date to cover all the costs and liabilities relating to the fulfilment of requirements set out in the current regulations.

Since 2001, the competent authorities have been notified of the risk provision made for each site, based on the amounts established from specific assessments made by engineering companies specialising in the sector. The amount of the provision is adjusted according to determinations, always certified by independent entities, that might emerge during the process of reclamation required by law. It is possible that, during the planning phases for reclamation, the assessment of the risks associated with the site to be reclaimed, and the estimated resources required to implement the relative action plan, will be updated to cover all the costs and liabilities arising from the environmental restoration activities required by law.

It is possible, however, that if Italgas Reti were to incur costs exceeding the amounts budgeted for or established pursuant to the aforementioned agreements, there would be negative effects on the Italgas Group's operations, balance sheet and cash flows.

In addition, Medea S.p.A. ("**Medea**"), a LPG distribution and sale company based in Sassari, owns a LPG storage in Sassari of approx. 600 cubic metres. Such storage has to be operated in compliance with the "Seveso Decree" (Legislative Decree 334/1999 as amended and following legislation) provisions.

Operating risks. Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable service disruptions due to factors which are outside of the control of Italgas, such as accidents, breakdowns or the malfunctioning of equipment (including metering tools) or control systems; the underperformance of plants; and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond the control of Italgas. Such events could result in a reduction in revenue and could also cause significant damage to people, with potential compensation obligations. Although Italgas has taken out specific insurance policies to cover some of these risks, in addition to ordinary and extraordinary maintenance performed on both distribution network and facilities, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Italgas Group's ability to effectively develop its infrastructure is subject to many unforeseeable events linked to operating, economic, regulatory, authorisation and competition factors which are outside of its control. Italgas is therefore unable to guarantee that the projects to build, upgrade and/or extend its network will be started, completed or lead to the expected benefits in terms of tariffs.

The capex plan in the context of the Strategic Plan 2018-2024 envisages a total amount of €0.5 billion of development of the infrastructures and €0.4 billion devoted to the Sardinia methanization project.

Additionally, the development projects may require greater investment and/or longer timeframes than those originally planned, affecting in the future the Italgas Group's financial position and results.

Investment projects can be stopped or delayed because of difficulties in obtaining environmental and/or administrative authorisations, opposition raised by political groups or other organisations, or may be affected by changes in the price of equipment, materials and labour, or by changes in the political or regulatory context in the course of construction, or even by an inability to obtain financing at an acceptable interest rate. Such delays could have adverse effects on the operations, results and economic and financial position of the Italgas Group which could have an adverse impact on the Issuer's ability to meet its obligations under the Notes. Furthermore, changes in the prices of goods, equipment, materials availability and workforce could have an impact on the financial results of the Italgas Group.

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

Risks associated with the plan for the replacement of traditional meters with smart meters

The ARERA made remote meter reading compulsory for operators back in 2008 through Resolution 155/2008, justifying it through the advantages that this technology brings, especially to end users (e.g. invoicing based on actual consumption, greater awareness of consumption, constant monitoring of the operation of metering units). The initial objective therefore involved the replacement, by 2016, of 80% of traditional meters with smart meters. Through subsequent Resolutions 28/12 and 631/2013, the ARERA altered the plan for the replacement of smart meters for the mass market, bringing the replacement target down to 60% in 2018 and updating the interim targets for the period 2014 – 2017.

The replacement plan was updated once again through the recent ARERA Resolution 554/2015 which revised the meter replacement plan further bringing it down to 50% in 2018. Italgas therefore expects to invest approximately €420 million between 2018 and 2020 (€530 million by 2024) installing around 3.3 million smart meters. Taking into account the smart meters already installed until 2017, in 2020 Italgas will complete the replacement of all traditional meters with smart ones. The investment plan for the installation of smart meters will be financed both by the generation of cash from operations and by lines of credit subscribed by Italgas and those already available.

It is difficult to foresee if the implementation of the meter replacement plan, which is still ongoing, could result in an increase in management costs for the new smart meters (which in turn may incur technical and running problems) and expenses related to the decommissioning of the traditional meters replaced, which is higher than previously estimated by Italgas.

Risks associated with legal proceedings and disputes

Italgas Group is involved in civil (including labour), administrative and criminal proceedings and in legal actions relating to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements, also considering the provisions set aside in relation to the proceedings, pursuant to the Italgas policies.

With regard to litigation, it is noted that the total amount of the pertinent provision recorded in the consolidated financial statements on 30 June 2018 is Euro 14 million (Euro 15 million on 31 December 2017).

If the said judicial proceedings will conclude unfavourably for Italgas and/or the provisions set aside are not sufficient to cover the losses resulting from the outcome of the legal proceedings underway, there could be negative effects on Italgas Group's operations, results, and financial position. The same risk can also affect future judicial proceedings and the sufficiency of the relevant, even if updated, provisions.

Legal and non-compliance risk

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations that the Italgas Group must comply with for the activities that it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative proceedings and/or sanctions, as well as damage to the Issuer's balance sheet, financial position and reputation. With regard to specific cases, the violation of regulations for the protection of workers' health and safety and of the environment, and the violation of anti-corruption rules, may also result in (potentially significant) sanctions against Italgas and its subsidiaries based on the administrative responsibility of entities (Legislative Decree No. 231 of 8 June 2001).

Risks associated with taxation

Any unfavourable change in the rate of income tax, other taxes or duties applicable to the Italgas Group could have negative effects on the Italgas Group's operations, results, economic and financial position. The

same can be said in case of negative results of judicial proceedings concerning tax laws and rules, in which Italgas and its subsidiaries are involved.

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

Risks associated with acquisitions and industrial partnerships

The Italgas Group has undertaken, and may undertake in the future, corporate operations, such as joint ventures with strategic partners, acquisitions or investments in Italian companies, which may increase the complexity of Italgas Group's activities and whose success is difficult to predict. It is not certain that said operations can be carried out in accordance with the planned procedures or produce the expected benefits and synergies. The integration process could also make additional expenditure and investment necessary. If the aforementioned corporate operations fail to produce the expected synergies and benefits, there could be negative effects on the Italgas Group's operations, results, and financial position.

Risks associated with political, social and economic instability in natural gas supplier countries

A large proportion of the natural gas transported through the Italian national transportation network is imported from or passes through countries that are currently politically, socially or economically unstable, and/or which may also suffer instability in the future. Importing natural gas from these countries, or transiting through them, is subject to risks inherent to these countries, including but not limited to: high inflation; volatile exchange rates; inadequate legislation on insolvency and creditor protection; social tensions and unrest; limits on investment and the import and export of goods; increases in taxes and excises; forced renegotiation of contracts; nationalisation or renationalisation of assets; political unrest; tensions with other countries; changes in trade policies; monetary restrictions; and losses or damage caused by disorder and unrest.

If a Shipper using the distribution service via Italgas Group networks cannot procure natural gas from the aforementioned countries because of said adverse conditions, or in any way suffers from said adverse conditions, and/or is consequently unable to fulfil contractual obligations towards the Italgas Group, this could have negative effects on Italgas Group's operations, results, and financial position and consequently affect the Issuer's ability to meet its payments under the Notes.

If the supply of natural gas to clients of the Italgas Group is disrupted due to such adverse conditions, or is otherwise materially adversely affected by such adverse conditions, this may have a material adverse effect on the Italgas Group's business, cash flow, financial condition and results of operations and consequently affect the Issuer's ability to meet its payments under the Notes.

Risks associated with the energy efficiency certificates market

White certificates, also known as "Energy Efficiency Certificates" (**EECs**), are tradable instruments that certify the achievement of energy savings for end users of energy through projects and works increasing energy efficiency, as evaluated and approved by the Energy Services Operator (**GSE**).

The GSE, after having evaluated the specific energy efficiency projects, issues a number of EECs in compliance with the provisions of the current law in favour of the entity that has carried out such projects.

Companies that distribute gas and/or electrical energy with a number of users above 50,000 units are defined as covered entities and have a target defined in terms of EECs to be achieved annually (from 1 June to 31 May of the following year).

The target quota that must be achieved by an individual distribution company is determined by the ratio between the quantity of natural gas and/or electrical energy distributed to its end customers, as self-certified,

and the quantity of natural gas and/or electrical energy distributed throughout the territory of the nation as determined and reported annually by the ARERA.

Covered entities can achieve the targets assigned by directly performing work for energy savings or, alternatively, acquiring EECs on the market managed by the Gestore dei Mercati Energetici (**GME**) or through bilateral agreements with qualified operators (OTC agreements).

The EEC mechanism was established by the Ministry of Productive Activities, in consultation with the Ministry of the Environment and Protection of the Land through the Ministerial Decree of 20 July 2004, which was subsequently amended and supplemented by the Ministerial Decree of 21 December 2007, the Ministerial Decree of 28 December 2012, the Ministerial Decree of 11 January 2017, published in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) on 3 April 2017, which was subsequently amended and supplemented by the Ministerial Decree of 10 May 2018 ("**MD 10 May 2018**"), published in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) on 10 July 2018.

MD 10 May 2018 has been issued in connection with the record performance of the EECs in the obligation year 2017, that has reached the historical maximum price of 480.00 €/EEC. This increase in the price of EECs, determined by an always shortest market, has caused significant losses to market operators; therefore a regulatory intervention has been necessary to make it possible, or in any case to favour, the fulfillment of the energy efficiency targets by electricity and gas distribution companies, to give stability to the market and to stop the continuous increases in the EECs prices.

The MD 10 May 2018 has redefined the operational and technical methods for EECs' release and has introduced important innovations within the mechanism of EECs, in particular:

a) establishes a maximum unit value for the tariff contribution (cap), equal to 250.00 €/EEC, applicable starting from the sessions subsequent to 1 June 2018 and up to the sessions valid for the fulfillment of the national quantitative targets established for 2020;

b) establishes that the mechanism to determine the tariff contribution, determined by ARERA, has to take into account the prices of trades made on the organised GME market in the obligation year in reference as well as the prices of the bilateral agreements, if less than 250.00 €;

c) authorizes the EECs'short-selling by the Energy Services Operator (GSE). In particular, starting from 15 May of each year and until the end of the year of the obligation in reference, GSE is authorized to issue, for and upon request of the obliged distributors, EECs not deriving from the implementation of energy efficiency projects, with a unit value equal to the difference between € 260.00 and the value of the final tariff contribution for the year in reference. In any case, this amount cannot exceed € 15.00. However, this loss may be recovered, overall or partly, in the following obligation years. Before accessing this mechanism, the obliged distributors must purchase at least 30.0% of EECs in the obligation year in reference;

d) establishes that if a distributor subject to the obligations achieves a compliance rate of less than 100%, but at least 60%, it may offset the residual quota in the two following years, rather than only in the following year without incurring any penalties;

e) updates, in order to promote the offer of EECs, the table annexed to Ministerial Decree of 11 January 2017 containing the types of projects eligible for EECs, adding approximately 30 new types of interventions.

Within 60 days from the entry into force of MD 10 May 2018, GSE shall publish an operational guide and shall submit to the ARERA for its approval the provisions implementing the valuation and redemption of EECs issued by GSE and not deriving from energy efficiency projects introduced by MD 10 May 2018.

Within the framework of this mechanism, the ARERA has set up a specific component of the electricity and/or gas distribution tariff, to enable distribution companies to recover all or part of the costs incurred for the purchase/obtainment of EECs.

Annually, the ARERA decides on the mechanism for calculating the tariff contribution to cover the costs incurred by distributors subject to the obligations involving EECs.

The disbursement of the total annual tariff contribution pertaining to each covered distributor is made by the Energy and Environmental Services Fund (CSEA). The tariff contribution paid, according to the weighted average prices of trades, can be lower or higher than the average purchase price of the tradable instruments.

As a consequence of amendments introduced by MD 10 May 2018 to MD 11 January 2017, with the Resolution 487/2018/R/efr, ARERA has updated the criteria for calculating the tariff contribution to cover the costs incurred by distributors subject to energy efficiency targets.

Italgas Reti has decided to start a proceeding before the competent Administrative Court (TAR Lazio) against such amendments introduced by MD 10 May 2018.

The difference between the average price for acquiring EECs and the tariff contribution recognised, will depend on actual market conditions; if such difference is negative, the consequent economic losses may have negative effects on the operations, on the results and economic and financial position of the distribution companies.
It is worth noting that Italgas has recently acquired Seaside S.r.l. ("**Seaside**"), an ESCo managing a portfolio of EECs that is exposed to the same risk.

The total obligation of the Italgas Group for the obligation year 2018 (which has begun on 1 June 2018 and will end on 31 May 2019) is equal to 836,317 EECs.

Risks associated with environmental, health and safety protection

The activities that the Italgas Group engages in present certain hazard profiles. There is also a possibility that the performance of such activities will cause harm to third parties and/or Italgas employees. The Italgas Group is subject to national and European rules and regulations on environmental, and health and safety protection, to safeguard both third parties and Italgas Group employees.

As part of its activities, Italgas uses hazardous or potentially hazardous products. Furthermore, some of the activities it carries out that are not currently considered harmful, or whose hazardous nature has not yet been proven, could be considered harmful in the future as a result of amendments to the regulatory framework. The Italgas Group and the sites where it operates are subject to rules and regulations (including town planning regulations) on pollution, environmental protection and the use and disposal of hazardous substances and waste. These rules and regulations expose Italgas to costs and liabilities relating to its activities and facilities, including those relating to sites used for the disposal of waste or the decommissioning of facilities. The costs and expenses generated by the environmental restoration obligations that the Italgas Group may incur are subject to different variables, such as the seriousness of the pollution, the corrective measures necessary and the extent of Italgas liability. These elements are, by their very nature, difficult to estimate.

Italgas cannot predict whether, and to what extent, environmental regulations may become more restrictive over time, and cannot guarantee that the costs and expenses necessary to comply with its obligations under environmental regulations will not increase, or that these costs will be recoverable through the tariff mechanism and the applicable regulations. Substantial increases in the costs and expenses necessary in order to fulfil the obligations referred to in the environmental rules, or other costs and fines, may have adverse negative effects on the reputation, and on the operations, results and economic and financial position, of the Italgas Group.

Risks associated with dependence on management and specialised staff

The Italgas Group's capacity to carry out its business effectively depends on the abilities and effectiveness of its management and staff. The dependence on qualified management and staff, as well as the inability to attract, train or retain management and staff with the necessary qualifications (specifically with regard to technical positions, where availability of qualified staff is generally limited), or the emergence of disputes with employees, could affect Italgas' capacity to implement its long-term strategy and could have a negative impact on the Italgas Group's operations, results and financial position.

Risks associated with the rating of the Issuer

As at the date of this Base Prospectus, the Issuer's long-term rating is "BBB+ - stable outlook" by Fitch Italia S.p.A. (**Fitch**) and "Baa2 - stable outlook" by Moody's Investors Service Ltd (**Moody's**) (each a **Rating Agency** and together the **Rating Agencies**). Both such Rating Agencies are established in the European Union and registered under the CRA Regulation, and included in the list of credit rating agencies published by the ESMA on its 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.

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings by Moody's and/or Fitch may increase borrowing costs or even jeopardise further issuance. The prices of the existing bonds may deteriorate following a downgrade.

In addition, the Issuer's credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy.

Based on the methodologies adopted by the rating agencies, a downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating.

Risk of changes in interest rates and inflation and deflation risks

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

As of 30 June 2018, the financial debt at floating rate is 11.6% and the one at fixed rate is 88.4%.

As of the same date, the Italgas Group used external financial resources in the following forms: bonds subscribed by institutional investors, bilateral and syndicated loans with banks and other financial institutions, in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate (**Euribor**).

Therefore, a rise in interest rates (Euribor) could have adverse effects on the Italgas Group's operations, results, balance sheet and cash flows. However, in view of the current market context, where Euribor rates are negative, the effects on shareholders' equity and net profit for the year of a hypothetical positive or negative change of 10% in interest rates would be negligible and, therefore, not significant. The Issuer's financial strategy currently includes the use of interest rate hedging instruments.

Changes in the prices of goods, equipment, materials and workforce could have an impact on Italgas' financial results. Any change caused by inflationary or deflationary processes could have a significant impact on the Italgas Group's results. In particular, a prolonged period of deflation or inflation that is lower than

forecast could have negative effects, in the long term, on the RAB value and could therefore adversely affect the Italgas Group's operations, results, balance sheet and cash flows.

Credit risk

Credit risk is the exposure of the Italgas Group to potential losses arising from counterparties' failure to fulfil their obligations. Default or delayed payment of consideration for services rendered and/or fees due may have a negative impact on the financial balance and results of the Italgas Group.

For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any disputes are handled by the business units and the centralised Italgas departments.

The Italgas Group provides its distribution services to a small number of sales companies, with Eni the largest by revenue. The rules for user access to gas distribution service are established by ARERA and are set out in the Network Codes (as defined in "*Glossary of Terms and Legislation relating to the Issuer*" below), or in documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in providing said services and have contractual conditions which minimise the risk of non-compliance by the clients.

The maximum exposure of Italgas to credit risk as of 31 December 2017 is represented by the book value of the financial assets recorded in the consolidated financial statements of the Italgas Group as of 31 December 2017. As shown in Note 10, "*Trade Receivables and Other Current and Non-Current Receivables*", of the 2017 consolidated financial statements, overdue and non-impaired receivables on 31 December 2017 amounted to €13 million. These receivables are 40% overdue below 90 days and the remainder is overdue for over 90 days (including, mainly, trade receivables in litigation, receivables with grantors for unrecognised values for compensation of redeemed facilities and incentives by ARERA on quality of service).

As of 31 December 2017, there were no significant credit risks. Nevertheless, it is appropriate to point out that about 96% of trade receivables relate to extremely reliable clients, including Eni, which represents about 42% of the total trade receivables.

The Italgas Group may, however, incur liabilities and/or losses from the failure of its clients to comply with payment obligations, as well as from the failure to recover, in full or in part, payments, also given the current economic and financial situation, which makes the collection of receivables more complex and critical. Nevertheless, trade receivables deriving from the gas distribution service to customers without an adequate rating are covered, according to the criteria defined in the Network Codes, by a financial guarantee provided by a primary banking or insurance institution.

Risk of acceleration

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

As at the date of this Base Prospectus, the Issuer has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which the Issuer and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Issuer and its subsidiaries may carry out.

The Notes to be issued by the Issuer as part of the Programme provide for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with these covenants, and the occurrence of other events, some of which are subject to specific threshold values such as cross-default events, could trigger the early repayment of the related loan. The occurrence of one or more of the aforementioned scenarios could have a negative effect on the Italgas Group's operations, results, balance sheet and cash flows.

International financial markets

At the date of this Base Prospectus several governments, international and supranational organisations and monetary authorities have put in place a number of actions to increase liquidity in financial markets, in order to boost global gross domestic product growth and mitigate the possibility of default by certain European countries on their sovereign debt obligations. It remains difficult to predict the effect of these measures on the economy and on the financial system. Termination, in whole or in part, of such actions may cause a decrease of liquidity in the financial markets and thus adversely influence the Issuer's ability to access the capital markets. This could materially and adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

Risks relating to the Issuer's use of information technology to conduct its business

The Italgas Group's operations are increasingly reliant on information systems and information technology platforms (collectively, **IT**) to maintain and improve its operational efficiency. All Italgas Group ICT systems are expected to be migrated to Public Cloud by 31 December 2018.

Best practices are adopted in information system management to guarantee business continuity, both implementing technologies and protecting and securing its information systems. Notwithstanding these preventive measures, the Issuer's information systems may be impacted by different operational and security challenges, such as telecommunications or data centre failures, security breaches, hacking and cyber attacks in general, as well as other types of interference. Any interruptions, failures, or breaches in the security infrastructure of its IT systems, or failure to plan and execute suitable contingencies in the event of their disruption, could have an adverse effect on the Italgas Group's ability to guarantee operations in compliance with the rules of the ARERA and compete with competitors, and may harm its reputation as well as disrupt its business, thereby potentially having an adverse effect on its financial condition, cash flow and/or results of operations as well reputation of the Italgas Group.

Structural subordination risks for the holders of the Notes

The Issuer is organised as a holding company that conducts essentially all of its operations through its direct and indirect subsidiaries and depends primarily on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations under the Notes.

The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to enable it to pay any amounts due under the Notes. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it may effectively be subordinated to the prior payment of all the debts and other liabilities, including the right of trade creditors and preferred shareholders, if any, of the Issuer's direct and indirect subsidiaries. The Issuer's subsidiaries have other liabilities, including contingent liabilities, which could be substantial.

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

Risks related to the structure of a particular issue of Notes

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

Risks applicable to all Notes

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

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

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

If the terms of any Notes contemplate that the interest rate converts from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the terms of any Notes contemplate such a conversion, this may adversely affect the secondary market in, and the market value of, the Notes since the conversion may produce a lower rate of return for Noteholders. If the rate converts 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. If the rate converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates.

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

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

Risks applicable to certain types of Notes

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

The Issuer may issue Notes with principal or interest determined by reference to an index, in the case of Inflation Linked Notes, or with interest determined by reference to the CMS Rate, in the case of CMS Linked Interest Notes or the Constant Maturity BTP Rate, in the case of Constant Maturity BTP Linked Interest Notes (each, a **Relevant Factor**). Potential investors should be aware that:

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

b) they may receive no interest;

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

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

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

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

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

Risks relating to Inflation Linked Notes

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

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

Inflation Linked Notes may be subject to certain disruption provisions or extraordinary event provisions (such as the delay and disruption provisions described in Condition 4.3.2 (*Inflation Index delay and disruption provisions*) and any Additional Disruption Events as may be specified in the applicable Final Terms). Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Calculation Agent (as defined in the Conditions of

the Notes) determines that any such event has occurred, this may delay valuations under, and/or payments in respect of, the Notes and consequently adversely affect the value of the Notes. Any such adjustments may be by reference to a Related Bond, as defined in the applicable Final Terms if so specified therein. In addition, certain extraordinary or disruption events may lead to early redemption of the Notes, which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Inflation Linked Notes Conditions in conjunction with the applicable Final Terms.

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

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

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

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

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

Variable rate Notes with a multiplier or other leverage factor

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

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

The Final Terms relating to any specific issue of Notes may provide that it will be the Issuer's intention to apply, in whole or in part, the proceeds from an offer of those Notes specifically for (i) projects and activities that promote climate-friendly and other environmental purposes ("**Eligible Green Projects**") or (ii) projects with positive social outcomes ("**Eligible Social Projects**" or (iii) a combination of Eligible Green Projects and Eligible Social Projects (all the eligible projects under points (i). (ii) and (iii) above are referred herein as the "**Eligible Projects**"), in accordance with the principles set out by the International Capital Market Association ("**ICMA**") (respectively, the green bond principles (the "**Green Bond Principles**"), the social bond principles (the "**Social Bond Principles**") or the sustainability bond guidelines (the "**Sustainability Bond Guidelines**")). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer, the Dealers or any other person that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such

investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects).

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "social", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

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

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, 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, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

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

Any such event or failure by the Issuer will not constitute an Event of Default under the Notes. Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or

certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The Dealers have not undertaken, nor are responsible for, any assessment of the Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines, any verification of whether the Eligible Projects comply with the meet the Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines, or the monitoring of the use of proceeds.

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

Risks related to Notes generally

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

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

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

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

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

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

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

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the Minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a

principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with other unsecured senior indebtedness of the Issuer and, accordingly, any increase in the amount of unsecured senior indebtedness of the Issuer in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer to secure present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

Calculation Agent

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of business, in a wide range of banking activities out of which conflicts of interests may arise. While such Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities, from time to time, be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market 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.

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: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) 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 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 whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

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

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR, LIBOR, CMS Rate, Constant Maturity BTP Rate, CPI - ITL and HICP) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to

disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark" and could lead to adjustments to the terms of the Notes. In addition, if the administrator of a "benchmark" does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation, the relevant "benchmark" could not be used as such. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted or otherwise impacted.

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the condensed consolidated half-year financial statements of Italgas Group as at and for the six months period ended 30 June 2018, including the information set out at the following pages in particular:

Balance Sheet	Pages 76 to 77
Income Statement	Page 78
Statement of Comprehensive Income	Page 79
Statement of Changes in Shareholders' Equity	Pages 80 to 83
Cash Flows Statement	Pages 84 to 85
Notes to The Condensed Consolidated Half-Year Financial Statements	Pages 87 to 144
Independent Auditors' Report	Pages 146 to 147

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

Statement of financial position	Pages 132 to 133
Income Statement	Page 134
Statement of Comprehensive Income	Pages 135 to 137
Statement of Changes in Shareholders' Equity	Pages 138 to 139
Statement of Cash Flows	Pages 140 to 141
Company Information	Page 143
Notes to The Consolidated Financial Statements	Pages 143 to 233
Independent Auditors' Report	Pages 235 to 243

(c) the condensed consolidated interim financial statements of Italgas Group as at and for the six months period ended 30 June 2017, including the information set out at the following pages in particular:

Balance Sheet	Pages 68 to 69
Income Statement	Page 70
Statement of Comprehensive Income	Page 71
Statement of Changes in Shareholders' Equity	Page 72
Cash Flows Statement	Pages 73 to 74
Notes to The Condensed Interim Consolidated Financial Statements	Pages 75 to 114
Independent Auditors' Report	Pages 116 to 117

(d) the audited consolidated annual financial statements of Italgas Group as of and for the financial year ended 31 December 2016, including the information set out at the following pages in particular:

Balance Sheet	Pages 108 to 109
Income Statement	Page 110

Statement of Comprehensive Income	Page 111
Statement of Changes in Shareholders' Equity	Page 112
Cash Flows Statement	Pages 113 to 114
Company information	Pages 115 to 117
Notes to The Consolidated Financial Statements	Pages 115 to 193
Independent Auditors' Report	Pages 195 to 196

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

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg, and are available on the Luxembourg Stock Exchange's website at www.bourse.lu.

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

OVERVIEW OF THE PROGRAMME

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

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

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

Issuer:	Italgas S.p.A.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" and include, among others, risks relating to the effect of changes in tariff levels and risks of changes in regulation and legislation. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arrangers:	BNP Paribas UniCredit Bank AG
Dealers:	Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank ING Bank N.V. J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Société Générale UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be

	issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Programme Size:	Up to €3,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in any currency agreed between the Issuer and the relevant Dealer as specified in the applicable Final Terms.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".

Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, each as specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (a) on the basis of a reference rate set out in the applicable Final Terms, which may be EURIBOR, LIBOR, CMS Rate or Constant Maturity BTP Rate. 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. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Inflation Linked Notes:	Payments of principal in respect of Inflation Linked Redemption Notes or of interest in respect of Inflation Linked Interest Notes will be calculated by reference to one or more inflation indices, as may be agreed between the Issuer and relevant Dealer.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon

	giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The rating of certain Series of the Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union

	and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Approval of base prospectus, listing and admission to trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom, Italy and France), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

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:

- 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 SA (**Clearstream, Luxembourg**); and

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

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any 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.

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

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

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

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

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

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

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

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

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 Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 8 November 2018 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a supplement to the Base Prospectus, a new Base Prospectus or a

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

FORM OF FINAL TERMS

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

[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 ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. 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*]

Italgas S.p.A.

Legal entity identifier (LEI): 815600F25FF44EF1FA76

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the €3,500,000,000
Euro Medium Term Note Programme

PART 1

CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 8 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 [and the supplement[s] to the Base Prospectus] [is/are] available for viewing [at [*website*]] [and] during normal business hours at the registered office of the Issuer [and copies may be obtained from the registered office of the Issuer]. The Base Prospectus and, in the case of

Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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

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

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number: (as referred to under the introduction to the Terms & Conditions of the Notes)	[ ]
	(c)	Date in which Notes will be consolidated and form a single Series	The Notes will be consolidated and form a single Series with [*provide issue amount/ISIN/maturity date/issue date of earlier Tranche*s] on [the Issue Date/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 22 below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
4.	Issue Price:		[ ]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations: (as referred to under Condition 1 (*Form, Denomination and Title*))	[ ] (N.B. Notes must have a minimum denomination of €100,000 (or equivalent).) *(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

		"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")
	(b) Calculation Amount: (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*)	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
6.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date: (as referred to under Condition 4 (*Interest*))	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:	[*Fixed rate or Zero Coupon Notes – specify date*/ *Floating rate or Inflation Linked Notes* – Interest Payment Date falling in or nearest to [*specify month and year*]]
8.	Interest Basis:	[[ ]% Fixed Rate] [[[ ] month LIBOR/EURIBOR] +/- [ ]% Floating Rate] [Floating Rate: CMS Linked Interest] [Floating Rate: Constant Maturity BTP Linked Interest] [Zero Coupon] [Inflation Linked] (further particulars specified below)
9.	Redemption Basis: (as referred to under Condition 6 (*Redemption and Purchase*))	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100%]/[ ]% of their nominal amount[3]] / [Inflation Linked Redemption (see Item 19)]
10.	Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [13/14] applies and for the period from

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

		(and including) [*date*], up to (and including) the Maturity Date, paragraph [13/14] applies][Not Applicable]
11.	Put/Call Options: (as referred to under Conditions 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) and 6.4 (*Redemption at the option of the Noteholders (Investor Put)*))	[Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable]
12.	Date [Board] approval for issuance of Notes obtained	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions: (as referred to under Condition 4.1 (*Interest on Fixed Rate Notes*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ]% per annum payable in arrear on each Interest Payment Date (*If payable other than annually, consider amending Condition 4 (Interest)*)
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year] [Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular*

			interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
14.	Floating Rate Note Provisions: (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention Set out in (b) below, not subject to any adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
	(c)	Additional Business Centre(s):	[ ]/[Not Applicable]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	[Applicable/Not Applicable]
		• Reference Rate and Relevant Financial Centre:	[[ ] month [LIBOR/EURIBOR]/[CMS Reference Rate]/[Constant Maturity BTP Rate]. Relevant Financial Centre: [London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)/New York/specify other Relevant Financial Centre] (*only relevant for CMS Reference Rate*) Reference Currency: [ ] (*only relevant for CMS Reference Rate*) Designated Maturity: [ ] (*only relevant for CMS Reference Rate and for Constant Maturity BTP Rate*) Specified Time: [ ] in [ ] *(only relevant for CMS Reference Rate and for Constant Maturity BTP Rate)*

- Interest Determination Date(s): [ ]

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

- Relevant Screen Page: [ ]
  (*In the case of CMS Linked Interest Notes, specify relevant screen page and any applicable headings and captions*)

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

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

(g) ISDA Determination: [Applicable/Not Applicable]

- Floating Rate Option: [ ]

- Designated Maturity: [ ]

- Reset Date: [ ]

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

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

(i) Margin(s): [+/-] [ ]% per annum

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

	(k)	Maximum Rate of Interest:	[ ]% per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA)] (*See Condition 4 (Interest) for alternatives*)
15.	Zero Coupon Note Provisions: (as referred to under Condition 6.5(c) (*Redemption and Purchase - Early Redemption Amounts*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ]% per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] (*Consider applicable day count fraction if not U.S. dollar denominated*)
16.	Inflation Linked Interest Note Provisions: (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Inflation Index/Indices:	[ ]
	(b)	Inflation Index Sponsor(s):	[ ]
	(c)	Reference Source(s):	[ ]
	(d)	Related Bond:	[Applicable]/[Not Applicable] The Related Bond is: [ ] [Fallback Bond] The issuer of the Related Bond is: [ ]
	(e)	Fallback Bond:	[Applicable]/[Not Applicable]
	(f)	Reference Month:	[ ]

(g)	Cut-Off Date:	[ ]/[Not Applicable]
(h)	End Date:	[ ]/[Not Applicable] (*This is necessary whenever Fallback Bond is applicable*)
(i)	Additional Disruption Events:	[Change of Law] [Increased Cost of Hedging] [Hedging Disruption] [None]
(j)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Agent is to perform this function*)]
(k)	DIR(0):	[ ]
(l)	Lookback Period 1:	[*insert number of months/years*]
(m)	Lookback Period 2:	[*insert number of months/years*]
(n)	Initial Ratio Amount:	[ ]/[Not Applicable]
(o)	Trade Date:	[ ]
(p)	Minimum Rate of Interest:	[ ] % per annum
(q)	Maximum Rate of Interest:	[ ] % per annum
(r)	Rate Multiplier:	[Not Applicable]/[[ ] per cent]
(s)	Interest Determination Date(s):	[ ]
(t)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention Set out in (u) below , not subject to any adjustment as the Business Day Convention in (u) below is specified to be Not Applicable]
(u)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
(v)	Additional Business Centre(s):	[ ]/[Not Applicable]
(w)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]

(*See Condition 4 (Interest) for alternatives)*

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call: (as referred to under Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*))	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount] [Make-whole Amount]
	(c) Redemption Margin: (*Only applicable to Make-Whole Amount redemption*)	[[ ] per cent.] [Not Applicable]
	(d) Reference Bond: (*Only applicable to Make-Whole Amount redemption*)	[*insert applicable reference bond*] [Not Applicable]
	(e) Reference Dealers: (*Only applicable to Make-Whole Amount redemption*)	[[ ]] [Not Applicable]
	(f) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(g) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)

18.	Investor Put: (as referred to under Condition 6.4 (*Redemption at the option of the Noteholders (Investor Put)*))		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Inflation Linked Redemption Note Provisions:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(x)	Inflation Index:	[ ]
	(y)	Inflation Index Sponsor(s):	[ ]
	(z)	Related Bond:	[Applicable]/[Not Applicable] The Related Bond is: [ ] [Fallback Bond] The issuer of the Related Bond is: [ ]
	(aa)	Fallback Bond:	[Applicable]/[Not Applicable]
	(bb)	Reference Month:	[ ]
	(cc)	Cut-Off Date:	[ ]/[Not Applicable]
	(dd)	End Date:	[ ]/[Not Applicable]

		(*This is necessary whenever Fallback Bond is applicable*)
(ee)	Additional Disruption Events:	[Change of Law] [Increased Cost of Hedging] [Hedging Disruption] [None]
(ff)	Party responsible for calculating the Redemption Amounts (if not the Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Agent is to perform this function*)]
(gg)	DIR(0):	[ ]
(hh)	Lookback Period 1:	[*insert number of months/years*]
(ii)	Lookback Period 2:	[*insert number of months/years*]
(jj)	Trade Date:	[ ]
(kk)	Redemption Determination Date:	[ ]
(ll)	Redemption Amount Multiplier:	[ ] per cent
20.	Final Redemption Amount: (as referred to under Condition 6.1 (*Redemption at Maturity*) and, in the case of Inflation Linked Notes, Conditions 6.9 (*Redemption of Inflation Linked Notes*) and 6.10 (*Calculation of Inflation Linked Redemption*))	[[ ] per Calculation Amount]/(*in the case of Inflation Linked Redemption Notes*:) as per Conditions 6.9 (*Redemption of Inflation Linked Notes*) and Condition 6.10 (*Calculation of Inflation Linked Redemption*)
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default or pursuant to Condition 4.3 (*Inflation Linked Note Provisions*): (as referred to under Condition 6.5 (*Early Redemption Amounts*) and, in the case of Inflation Linked Notes, Conditions 6.9 (*Redemption of Inflation Linked Notes*) and 6.10 (*Calculation of Inflation Linked Redemption*))	[[ ] per Calculation Amount] / [As per Condition 6.5 (*Early Redemption Amounts*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

		[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "*[*€100,000*] *and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€199,000*]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)]
	(b) New Global Note:	[Yes][No]
23.	Additional Financial Centre(s): (as referred to under Condition 5.5 (*Payment Day*))	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not Interest Period end dates to which subparagraph 14(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): (as referred to under the Introduction to the Terms and Conditions of the Notes)	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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

By: .....

Duly authorised

PART 2

OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*].] Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**)

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its/their] affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

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

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

[(i)]	Reasons for the offer:	[●]
[(ii)]	Estimated net proceeds:	[ ]/ [Not Applicable]
[(iii)]	Use of proceeds:	[ ] (*Only required if the use of proceeds is different from that stated in the Base Prospectus, including for any Eligible Project*)
[(iv)]	Estimated total expenses:	[ ] / [Not Applicable]]

(*N.B. Specify "Not Applicable" unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)

5. YIELD (*Fixed Rate Notes only*)

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

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

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

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

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

The final reference price of the underlying:	[[As set out in Condition 4.2(C) (*Interest – Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest – Inflation Linked Interest Notes*)/As set out in Condition 6.10 (*Calculation of Inflation Linked Redemption*)] /[Not Applicable]]
An indication where information about the past and the further performance of the underlying and its volatility can be obtained	[ ]

The name of the index:	[[CPI - ITL / HICP] as defined in Annex 1 to the Base Prospectus]/[Not Applicable]]
The place where information about the index can be obtained:	[[Bloomberg Page ITCPIUNR or its replacement /http://ec.europa.eu/eurostat]/[Not Applicable]]

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

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

8. OPERATIONAL INFORMATION

(a)	ISIN:	[ ]
(b)	Common Code:	[ ]
(c)	FISN:	[[ ]/[Not Applicable]]
(d)	CFI Code:	[[ ]/[Not Applicable]] *(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*
(e)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*]
(f)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(g)	Deemed delivery of clearing system notices for the purposes of Condition 13 (*Notices*):	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
(h)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

9. DISTRIBUTION

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

10. [BENCHMARKS

Benchmark:	[Not Applicable] / [[*Benchmark*] provided by [*Benchmark administrator*]. As at the date hereof, [*Benchmark administrator*] [appears] / [does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). [As far as the Issuer is aware, *EITHER* [[*Benchmark administrator*] does not fall within the scope of the Benchmarks Regulation] *OR* [the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [*Benchmark administrator*] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)].]]

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

(b) any Global Note; and

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 8 November 2018 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part 1 of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) References to the **applicable Final Terms** are, unless otherwise stated, to Part 1 of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

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

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

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 8 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*) and copies thereof are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices. If this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

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

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Inflation Linked Note (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person

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

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part 2 of the applicable Final Terms.

2. STATUS OF THE NOTES

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

3. NEGATIVE PLEDGE

So long as any of the Notes or Coupons remains outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security upon the whole or any part of the present or future undertakings, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Material Subsidiaries to secure any Indebtedness, except for Permitted Encumbrances, unless:

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

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

As used herein:

Group means the Issuer and its Subsidiaries;

Indebtedness means any present or future indebtedness for borrowed money (whether being principal, premium, interest or other amounts) which is in the form of, or represented by, bonds, notes, debentures or other debt securities and which is or is intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or regulated securities market;

Material Subsidiary means any consolidated Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 15% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or

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

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

Permitted Encumbrances means:

(a) any Security arising by operation of or pursuant to any mandatory provision of law without any action being taken by the Issuer or a Material Subsidiary to create or cause to arise such Security; or

(b) any Security in existence as at the date of issuance of the Notes (including any additional Security required to be given pursuant to or in connection with that Security); or

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

(d) any Security securing Project Finance Indebtedness; or

(e) any Security Interest created or assumed by the Issuer or a Material Subsidiary over any revenues or receivables in connection with any securitised financing, factoring, discounting or other like arrangement where the payment obligations in respect of the indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the assets over which such Security Interest is created; or

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

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

(h) any Security that does not fall within subparagraphs (a) to (g) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security permitted under this subparagraph, does not exceed 10% of the consolidated net invested capital of the Group as determined by reference to the most recently audited consolidated financial statements of the Issuer;

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

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

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

(b) in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Project Finance Subsidiary) for the repayment thereof other than:

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

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

provided that (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (b) such Person or Persons is or are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence any proceedings of whatever nature against any member of the Group (other than a Project Finance Subsidiary) and (c) an equity contribution in the borrower by the Issuer or Material Subsidiary, according to the then project finance market standard, shall not be deemed as a "recourse" to the relevant member of the Group;

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

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

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

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

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

Subsidiary means, in respect of any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

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

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

(c) whose accounts are required to be consolidated with those of the first Person pursuant to article 26 of Law 127 of 1991;

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

4. INTEREST

4.1 Interest on Fixed Rate Notes

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

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

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

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

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

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

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

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

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

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

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

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

In the Conditions:

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

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

4.2 Interest on Floating Rate Notes and Inflation Linked Interest Notes

(A) Interest Payment Dates

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

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

ii. if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest**

Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(A)ii (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes – Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (2) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

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

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

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the **TARGET 2 System**) is open.

(B) Rate of Interest – Floating Rate Notes

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

i. **ISDA Determination for Floating Rate Notes**

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

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

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

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

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

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

ii. **Screen Rate Determination for Floating Rate Notes**

(A) Floating Rate Notes other than CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes

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

i. the offered quotation; or

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

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

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

each case as at the Specified Time, the Issuer, or a third party/independent advisor appointed by the Issuer, shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question.

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

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this paragraph (A) of Condition 4.2, **Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer, or by a third party/independent advisor appointed by the Issuer;

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

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

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

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

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

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Issuer, or a third party/independent advisor appointed by the Issuer, shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, after eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

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

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

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

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

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

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

Relevant Swap Rate means:

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

determined by the Agent by reference to standard market practice and/or the ISDA Definitions;

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

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

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

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

(C) Floating Rate Notes which are Constant Maturity BTP Linked Interest Notes

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

If on any Interest Determination Date the Relevant Screen Page (or such replacement page on that service which displays the information) is not available, the Constant Maturity BTP Rate for such Interest Determination Date shall be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, as the gross yield before taxes based on the mid-market price for Italian government bonds with a maturity of the Designated Maturity, or as close to the Designated Maturity as considered appropriate by the Calculation Agent in its discretion, and in a Representative Amount at the Specified Time on the Interest Determination Date in question and shall be the arithmetic mean of quotations obtained from three Constant Maturity BTP Reference Banks selected by the Issuer, or by a third party/independent advisor appointed by the Issuer (from five such Constant Maturity

BTP Reference Banks after eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)).

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

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

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

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

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

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

(C) Rate of Interest – Inflation Linked Interest Notes

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

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

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

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

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

For the purposes of the Conditions:

DayOfMonth means the actual number of days since the start of the relevant month;

DaysInMonth means the number of days in the relevant month;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Agent, in the case of Floating Rate Notes, other than CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes, and the Calculation Agent, in the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes and Inflation Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes and Inflation Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period promptly after calculating the same.

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

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

ii. in the case of Floating Rate Notes or Inflation Linked Interest Notes in definitive form, the Calculation Amount;

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

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

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

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

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

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

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

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

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

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:

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

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:

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

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.

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

(F) Linear Interpolation

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

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

(G) Notification of Rate of Interest and Interest Amounts

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

(H) Certificates to be final

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

4.3 Inflation Linked Note Provisions

4.3.1 Definitions

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

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

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

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

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

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

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

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

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

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

Fallback Bond means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such

Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

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

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

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

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

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

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

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

Related Bond means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is

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

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

4.3.2 Inflation Index delay and disruption provisions

(A) Delay in publication

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

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

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

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

in each case as of such Determination Date,

where:

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

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

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

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

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

(B) Cessation of publication

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

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

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

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

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

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

(C) Rebasing of the Inflation Index

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

specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

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

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

(E) Manifest Error in Publication

With the exception of any corrections published after the day which is fifteen (15) Business Days prior to the relevant Redemption Determination Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 13 (*Notices*).

(F) Consequences of an Additional Disruption Event

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

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

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

4.3.3 Inflation Index disclaimer

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

or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

4.4 Accrual of interest

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

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

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

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with 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.

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

5.2 Presentation of definitive Notes and Coupons

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on

exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

5.3 Payments in respect of Global Notes

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

5.4 General provisions applicable to payments

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

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

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

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

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

5.5 Payment Day

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

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

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

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

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

5.6 Interpretation of principal and interest

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

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

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

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

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

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

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

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms or, in the case of each Note which is an Inflation Linked Redemption Note, determined in accordance with Condition 6.10 (*Calculation of Inflation Linked Redemption*) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

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

6.2 Redemption for tax reasons

Subject to Condition 6.5 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

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

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

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which 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 Make-Whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Agent or a third party appointed in this respect (such third party being a recognized financial institution or a financial markets specialist), equal to the higher of:

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

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Dealer Rate (as defined below) plus the Redemption Margin,

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

As used in this Condition 6.3:

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

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

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

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

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

date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

6.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

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

6.5 Early Redemption Amounts

For the purpose of Condition 4.3 (*Inflation Linked Note Provisions*), Condition 6.2 (*Redemption for tax reasons*) above and Condition 9 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

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

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

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

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

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); or

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

6.6 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

6.7 Cancellation

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

6.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above (*Redemption and Purchase – Early Redemption Amounts*) above as though

the references therein to the date fixed for the redemption or the ate upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

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

6.9 Redemption of Inflation Linked Notes

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

6.10 Calculation of Inflation Linked Redemption

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

$$\text{Final Redemption Amount} = \text{Specified Denomination} * Max\left[100\%; \left[\text{Redemption Amount Multiplier}\right] * \left(\frac{DIR(T)}{DIR(0)}\right)\right]$$

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

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

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

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

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

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

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

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

7. TAXATION

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

(a) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon, presented for payment in the Republic of Italy; or

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

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*)); or

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

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

(f) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

As used herein**:**

i. **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject by reason of its tax residence or a permanent establishment maintained therein in respect of payments made by it of principal and interest on the Notes and Coupons; and

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

8. PRESCRIPTION

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

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

9. EVENTS OF DEFAULT

9.1 Events of Default

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

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

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

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

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

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

(f) (A) if the Issuer, acting directly and/or through any of its Material Subsidiaries, announces that the Group shall cease to carry on the whole of its business or (B) the Group ceases to carry on the whole of its business, save, in either case, for the purposes of (i) a Solvent Reorganisation under which the assets and liabilities of, as appropriate, the Issuer, and/or such Material Subsidiar(y/ies), as the case may be, are assumed by the entity resulting from such Solvent Reorganisation, and such entity assumes all the obligations of the Issuer in respect of the Notes and the Coupons and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such Solvent Reorganisation or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution; or

(g) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) unless initiated by a member of the Group, is not contested in good faith or is not discharged within 60 days; or

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

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

(i) if the Issuer or any of its Material Subsidiaries stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, or initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) otherwise than for the purposes of a solvent amalgamation, merger, de-merger or reconstruction,

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

9.2 Definitions

For the purposes of the Conditions:

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

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

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

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

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

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

12. EXCHANGE OF TALONS

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

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. 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 the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

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

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

In accordance with the rules of the Italian Civil Code, the Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or Coupons or any of the provisions of the Agency Agreement.

All meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time. In accordance with Article 2415 of the Italian Civil Code, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative, (ii) any amendment to these Conditions, (iii) motions for the composition with creditors (*concordato*) of the relevant Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) any other matter of common interest to the Noteholders.

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

Such meetings will be validly held if, subject to mandatory laws, legislation, rules and regulations of Italian law from time to time and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate nominal amount of the Notes for the time being outstanding, provided that a higher majority may be required by the Issuer’s by-laws.

The majority required to pass a resolution at any meeting convened to vote on any resolution will be one or more persons holding or representing at least two thirds of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; provided, however, that certain proposals (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons) may only be sanctioned by a resolution passed at a meeting (as provided under Article 2415 of the Italian Civil Code) of Noteholders by one or more persons holding or representing not less than one half of the aggregate nominal amount of the Notes for the time being outstanding.

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

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, is appointed pursuant to Article 2417 of the Italian

Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

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

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

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

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

15. FURTHER ISSUES

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

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law.

17.2 Submission to jurisdiction

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

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

17.3 Appointment of Process Agent

The Issuer appoints Laurentia Financial Services Limited at its registered office for the time being as its agent for service of process, and undertakes that, in the event of Laurentia Financial Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

17.4 Other documents

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, as well as for any other purpose specified in the applicable Final Terms, including to finance or refinance any Eligible Projects, as applicable.

DESCRIPTION OF THE ISSUER

Overview

As of 30 June 2018, Italgas S.p.A. (**Italgas**), through its consolidated subsidiaries, is the leading operator in the distribution of natural gas in Italy with 1,601 municipal concessions and more than 59,000 kilometres of medium and low pressure transportation network.

Italgas was incorporated as a limited liability company (*società per azioni*) under the Laws of the Republic of Italy on 1 June 2016, specifically to implement the partial and proportional demerger of Snam S.p.A. ("**Snam**") Pursuant to its by-laws (the **By-laws**), its final term ends on 31 December 2100, which term can be extended by the extraordinary shareholders' meeting of the company.

Italgas operates under the laws of the Republic of Italy. Italgas' registered address is Via Carlo Bo, 11, Milan, Italy and is registered with the Register of Enterprises in Milan with company number 09540420966. Its telephone number is +39 02 81872012.

As of the date of this Base Prospectus, the Issuer holds directly 100% of the share capital of Italgas Acqua S.p.A. ("**Italgas Acqua**"), Seaside and Italgas Reti and (indirectly, through its shareholding in Italgas Reti) 100% of the share capital of Medea, 98% of Grecanica Gas S.r.l., Progas Metano S.r.l., Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Favaragas Reti S.r.l., Siculianagas Reti S.r.l. and 100% of Ichnusa Gas S.p.A. ("**Ichnusa Gas**")[4]; this latter is a holding company that controls 98% of capital of Fontenergia 4 S.r.l., Fontenergia 6 S.r.l., Fontenergia 7 S.r.l., Fontenergia 9 S.r.l., Fontenergia 10 S.r.l., Fontenergia 11 S.r.l., Fontenergia 15 S.r.l., Fontenergia19 S.r.l., Fontenergia 26 S.r.l., Fontenergia 27 S.r.l., Fontenergia 35 S.r.l. and Fontenergia 37 S.r.l..

Italgas also holds (i) 48.08% of the share capital of Toscana Energia, (ii) 45% of the share capital of Umbria Distribuzione Gas S.p.A and (iii) 50% of the share capital of Metano S. Angelo Lodigiano S.p.A.

The Issuer's main business is the distribution of natural gas which is a regulated activity in Italy under the authority of the ARERA. Under applicable regulations, these services must be offered to third parties on equal terms and conditions and at regulated tariffs. See section "*Regulatory and Legislative Framework*" below.

As reported in the ARERA 2018 Report, Italgas and its consolidated subsidiaries own about 30% market share in terms of the percentage of final gas users connected (34% if non-consolidated affiliates are included) and the market for the distribution of natural gas remains fragmented between approximately 210 distributors.

As at the date of this Base Prospectus the Issuer's share capital is €1,001,231,518.44 divided into 809,135,502 shares with no indication of nominal value. The shares are not divisible and each gives the right to one vote.

On 19 April 2018, the Extraordinary Shareholders meeting resolved to increase the share capital by a maximum amount of 4,960,000.00 euro, through the issue of no more than 4,000,000 new ordinary shares to be assigned free of charge, pursuant to article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earnings reserves, for beneficiaries of the Incentive Plan approved by the Ordinary meeting of 19 April 2018, to be implemented no later than 30 June 2023.

As of 7 November 2016, the Issuer's shares have been listed on the *Mercato Telematico Azionario* (**MTA**) of the Italian stock exchange (i.e. Borsa Italiana S.p.A. (**Borsa Italiana**)).

[4] Ichnusa Gas is expected to be merged into Medea by the end of 2018.

As at the date of this Base Prospectus on the basis of the shareholders' register, communications received pursuant to the *Commissione Nazionale per la Società e la Borsa* (**CONSOB**) Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the main shareholders directly or indirectly owning an interest greater than 3% of Italgas' share capital are (i) CDP, with an overall 26.05% stake of the ordinary share capital, held through CDP Reti S.p.A. (ii) Snam with a stake of 13.50% of the ordinary share capital of the Issuer, (iii) Lazard Asset Management with a stake of 7.3% of the ordinary share capital (iv) Mr. Romano Minozzi who holds, also through his companies Iris Ceramica Group S.p.A, GranitiFiandre S.p.A. and Finanziaria Ceramica Castellarano S.p.A., 4.99% of the ordinary share capital and (v) BlackRock Inc. with a stake of 3.7% of the ordinary share capital. The remaining (free float) is held by other shareholders. See "Principal Shareholders" below.

As at the date of this Base Prospectus the Issuer's long-term rating is "BBB+ - stable outlook" by Fitch and "Baa2 - stable outlook" by Moody's.

Historical Financial Information

In order to represent the financial and operating performance of the Italgas Group, the Base Prospectus presents financial information for the half-year closed at 30 June 2018 and at 30 June 2017 (included in the condensed consolidated interim financial statements of Italgas Group as at and for the six months period ended 30 June 2018 and 30 June 2017 incorporated by reference in this Base Prospectus) and for the years ended 31 December 2017 and 31 December 2016 (included in the audited consolidated annual financial statements of Italgas Group as of and for the financial years ended 31 December 2017 and 31 December 2016 incorporated by reference in this Base Prospectus).

Alternative Performance Measures

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

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

(i) the APMs are based on Italgas Group's historical data (as at 30 June 2018 and 30 June 2017);

(ii) the APMs are not derived from the International Financial Reporting Standards (**IFRS**) and, as they are derived from the consolidated financial statements prepared in conformity with these principles, they are not subject to audit;

(iii) the APMs should not be considered as replacing the indicators required by IFRS;

(iv) the APMs should be read together with the financial information for the Italgas Group taken from the consolidated financial statements for the half-year ending 30 June 2018 and 30 June 2017;

(v) since they are not derived from IFRS, the definitions used in connections with the APMs might not be standardised with those adopted by other companies/groups and therefore they are not comparable;

(vi) the APMs and definitions used herein are consistent and standardised for all the periods for which financial information in this Base Prospectus is included.

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

- net financial debt provides a better evaluation of the overall level of debt, the capital solidity and the capacity to repay the debt;

- performance measurements relating to EBITDA, EBITDA Margin, EBIT and net profit, as well as adjusted configurations, analyse business performance, and provide a better comparison of the results; these indicators are also generally used for the purpose of evaluating company performance.

The Alternative Performance Measures identified from the management are:

- EBITDA: Gross operating margin, calculated as the sum of the values pertaining to EBIT and amortisation, depreciation and impairment;

- EBITDA Margin: the ratio between the EBITDA and total income net of income from construction and the strengthening of the distribution infrastructure registered pursuant to IFRIC 12 "Service concession arrangements";

- EBIT: Net operating income, calculated as the sum of the values pertaining to net profit, income taxes and net financial expenses, net of net income from equity investments;

- Capex: technical investments;

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

- Net cash flow from operating activities: indicator of the cash generated by a company over a certain period of time, calculated as the difference between current inflows (mainly cash revenue) and current cash outflows (costs in the period that generated cash outflows) excluding the effects deriving from the application of IFRS 15 "Revenue from Contracts with Customers" entered into effect from 1 January 2018 and IFRS 16 "Leases" which was adopted prospectively by the Italgas Group from 1 January 2018;

- RAB: Value of net invested capital for regulatory purposes, calculated based on the rules defined by the ARERA in order to determine the benchmark revenues for the regulated businesses (ARERA Resolutions 573/2013/R/gas, 367/2014/R/gas and 775/2016/R/gas for the gas distribution business).

The Italgas Group's consolidated core business revenue (*ricavi gestione caratteristica*) comprehensive of IFRIC 12 for the period ended 30 June 2018 was €780 million and net profit for the period was €151 million. Investment in property, plant and equipment and intangible assets during the first half year ended on 30 June 2018 was €228 million.

The table below shows key financial and operating data for Italgas for the period ended 30 June 2017 and for the period ended 30 June 2018.

	30 June 2017	30 June 2018
Core Business Revenue (€m)(*)	774	780
EBITDA (€m)	390	424
EBITDA margin	69%	70%
EBIT (€m)	204	223
Net cash flow from operating activities (€m)	329	632
Capex (€m)	243	228
Net financial debt (€m) (**)	3,682	3,591

Operational data

Gas distributed (bcm)	4.260	4.590
Active gas metering at redelivery points (million)	6.538	6.625

(*) These core business revenues are comprehensive of IFRIC 12 as of 30/06/2017 and 30/06/2018

(**) The value do not include financial payables for leased assets pursuant to IFRS 16 (€37 million as at 30 June 2018).

Competitive position

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

According to the ARERA 2018 Report, in 2017 approximately 210 distributors were engaged in natural gas distribution in Italy, serving approximately 7,150 municipalities (*comuni*) and more than 23 million customers.

As reported in the ARERA 2018 Report, the market for the distribution of natural gas remains fragmented with the principal operator being the Issuer and its consolidated subsidiaries, which owned about 30% of the market share in terms of the percentage of final gas users connected (34% if non-consolidated affiliates are included). In recent years, the market has been experiencing a restructuring and consolidation process due to several mergers and acquisitions in the sector. The management of Issuer believes that this consolidation process will continue in the future, also fostered by the new legislative framework for gas distribution enacted in 2011 by the MED. See section "*Regulatory and Legislative Framework" – "Legislation regarding Distribution of natural gas*" below.

History

Italgas Reti (formerly Italgas S.p.A.) was founded on 12 September 1837 as Compagnia di illuminazione a Gas per la Città di Torino. It was the first company in Italy, and among the first companies in Europe, to produce and distribute gas for lighting purposes.

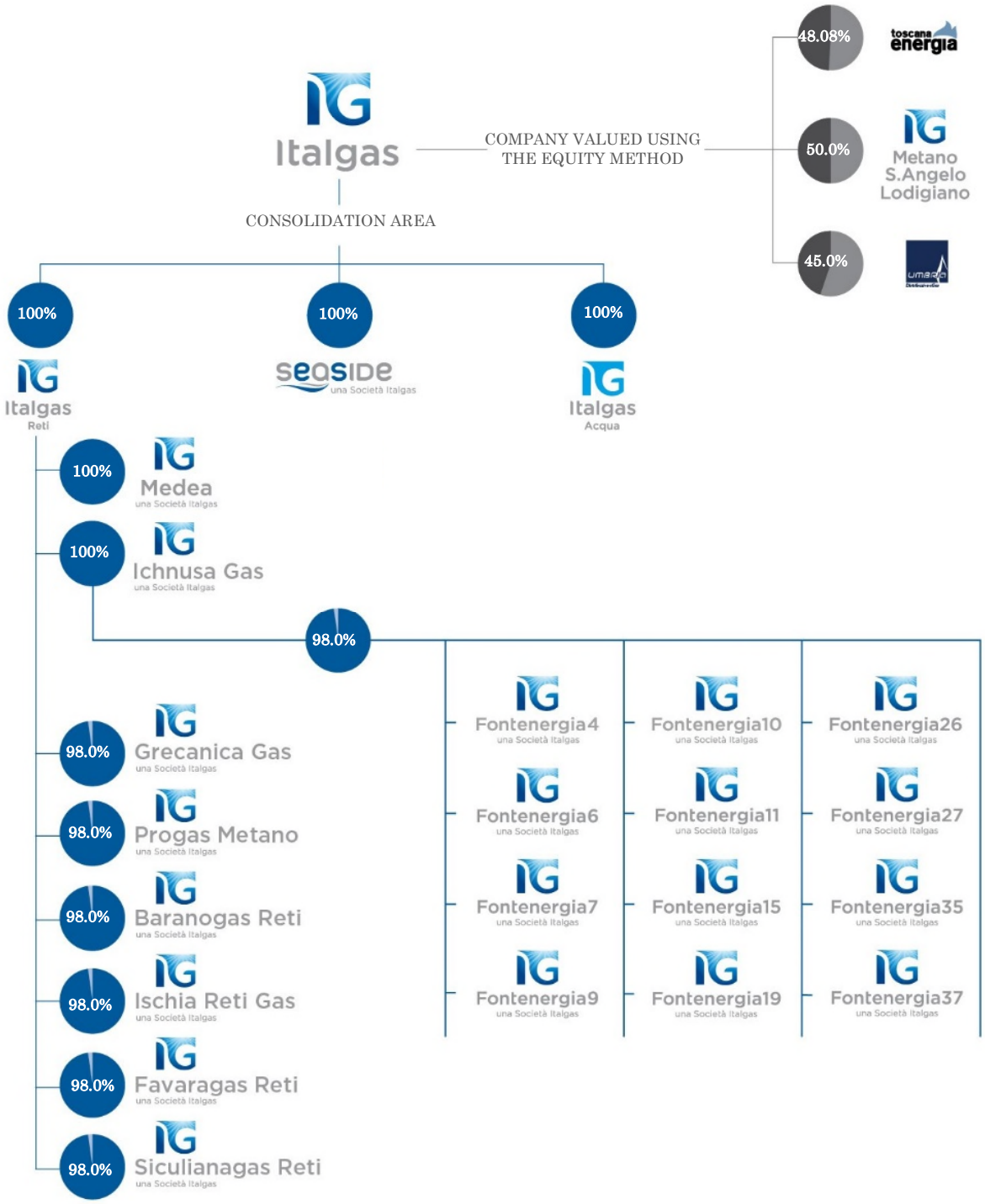
The expansion to the rest of Italy started 25 years later, with the new company named Società Italiana per il Gas. In subsequent years, with the advent of electric power, the company changed its product offering and launched the distribution of manufactured gas for cooking and heating purposes. In 1967, Italgas Reti (formerly Italgas S.p.A.) became part of the Eni Group.

With the progressive affirmation of natural gas and the development of gas pipeline transportation networks since the 1970s, the company focused on the construction of networks for urban distribution and the sale of gas for domestic use, taking on the leading role in Italy's growth of methanisation. In 2000, in parallel with new legal provisions on the unbundling of gas distribution activities from selling activities, the latter were separated from Italgas Reti (formerly Italgas S.p.A.) and merged with the Gas and Power Division of Eni.

The shares of Italgas Reti were listed on the MTA of Borsa di Milano from 1900 to 2003. Following its sale by Eni, Italgas Reti (formerly Italgas S.p.A.) was part of the Snam Group from July 2009 until the separation of Italgas Reti (formerly Italgas S.p.A.) from Snam through a partial and proportional demerger.

On 7 November 2016, such demerger was effective and the Issuer's shares were admitted to trading on the MTA.

Group Structure



On 6 December 2017 Italgas Reti acquired 90.03% of the share capital of Enerco Distribuzione S.p.A. ("**Enerco**") (being the remaining 9.97% represented by own shares). Enerco owned 100% of the share capital of SGS S.r.l.

On 28 February 2018, Italgas Reti acquired 100% of the share capital of Ichnusa Gas, a holding company controlling 12 companies with granted concessions for the installation and operation of gas distribution networks in 74 municipalities in Sardinia.

On 13 March 2018 Italgas acquired 100% of the share capital of Seaside. Seaside is one of the largest Italian Energy Service Companies (ESCo), on the cutting edge in offering digital services due to its skills in the field of Big Data, Business Intelligence and Machine Learning. Seaside has a customer base of over 400 clients operates in different sectors: from large industry to SMEs, from service providers to public administration.

On 6 April 2018 Italgas Reti acquired 100% of the share capital of Medea, a LPG distribution and sale company based in Sassari, which owns a LPG storage in Sassari of approx. 600 cubic metres. On 31 May 2018, Italgas acquired 98% of the capital of Favaragas Reti S.r.l., Siculianagas Reti S.r.l., Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Progas Metano S.r.l. and Grecanica Gas S.r.l., companies granted concessions for the installation and operation of gas distribution networks in 16 municipalities of Southern Italy.

The companies Acam Gas S.p.A., Enerco and S.G.S. S.r.l. were merged into Italgas Reti, effective from 1 January 2018 for accounting purposes; at the same date, the assets related to the water services were spun off from Italgas Reti and contributed to a new company named Italgas Acqua. Italgas Acqua owns 5 concessions for water distribution in the south of Italy.

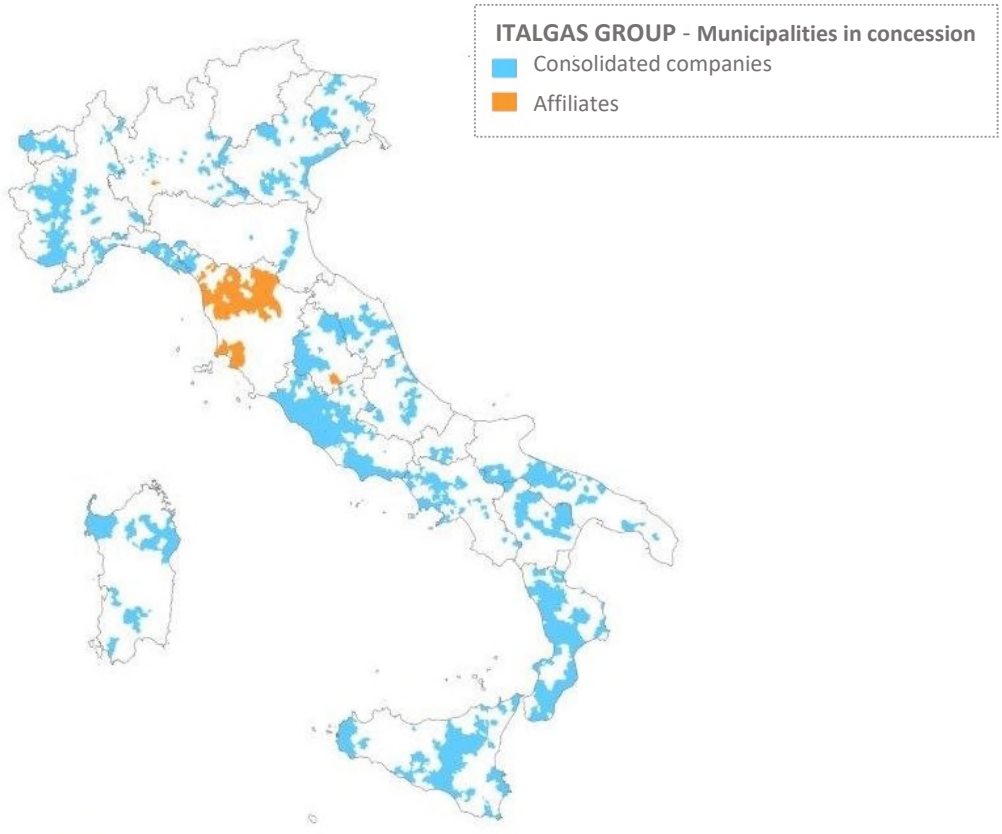
In addition, during the month of January 2018, Italgas finalised the acquisition of the business units of Amalfitana Gas and AEnergia Reti, related respectively to the distribution of the natural gas in three ATEMs in Campania and Basilicata and to the distribution network serving the Municipality of Portopalo di Capopassero (Siracusa).

On 22 June 2018, Italgas signed a binding agreement with CPL Concordia for the acquisition of:

- a controlling stake, equal to 60%, of EGN ("European Gas Network"), a company that manages directly and indirectly approximately 60,000 users with 37 gas distribution concessions in Sicily, Calabria and Campania;
- a 100% stake in the company Naturgas, operating in the distribution of methane gas service in San Giuseppe Vesuviano (NA), with approximately 2,700 users;
- a 100% stake in Fontenergia, holder of a concession for the distribution of methane gas in Area 22 of the Sardinia region, with more than 7,000 users temporarily served with LPG.

Business Overview

The following map illustrates the Italgas Group' redelivery points in Italy as at 30 June 2018.



Business Activities of Italgas

The natural gas distribution business operates on a concession regime through the conferral of this service by local public authorities (see "*Gas Distribution Concessions*" below); it consists of the service of transportation through medium and low pressure pipeline networks of the natural gas, belonging to sales companies or other entities authorised to sell gas to end-customers, from delivery points at the metering and pressure reduction stations (city gates) to redelivery points to the end customers (households, businesses, etc). The Issuer through its subsidiaries carries out natural gas distribution activities using an integrated system of infrastructures comprising stations for withdrawing gas from the transport network, pressure reduction plants, the local transportation and distribution networks, user derivation plants and redelivery points comprised of technical equipment including meters for the end customers.

As reported in the consolidated financial statements of Italgas as at 30 June 2018, Italgas Reti and its consolidated subsidiaries are the leading operators in the natural gas distribution business in Italy with 1,601 municipal concessions (of which 1,521 were in operation and 89 had yet to complete and/or create networks) and more than 59,000 kilometres of medium and low pressure transportation network as at 30 June 2018.

The Issuer owns minority shareholdings or 50:50 equal shareholdings in companies that operate directly or through their own subsidiaries gas distribution concessions as set out in the table below. These companies are not consolidated by the Issuer.

Company	Shares held by the Issuer
Toscana Energia S.p.A	48.08%
Umbria Distribuzione Gas S.p.A.....	45%
Metano S. Angelo Lodigiano S.p.A.	50%

In particular: (i) the remaining share capital of Toscana Energia S.p.A. is 51.92%, 51.25% is owned by local Municipalities, 0.59% by Monte dei Paschi di Siena S.p.A. and 0.08% by Banca di Pisa e Fornacette Credito Cooperativo; (ii) the remaining share capital of Umbria Distribuzione Gas S.p.A. is owned by ASM Terni S.p.A. (40%) and Acea S.p.A. (15%); and (iii) the remaining share capital of Metano S. Angelo Lodigiano S.p.A. is owned by the Municipality of S. Angelo Lodigiano.

Gas Distribution Concessions

The gas distribution business of the Issuer is dependent on concessions awarded by Italian local authorities after a public tender process.

Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with its obligations. 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.

On the basis of the new legislation introduced through four Ministerial Decrees issued in 2011, and which are now in force for all public tender offers launched after June 2011, the public tender process for gas distribution concessions is no longer managed by individual municipalities (*Comuni*) (previously numbering approximately 7,000) but by a reduced number (177) of "multi-municipality areas" ("**ATEM**") which were identified by Ministerial Decrees dated 19 January 2011 and 18 October 2011.

MD 226 (also defined as the **Tender Criteria Decree**) prescribes the criteria to which each tender process must conform, while Ministerial Decree of 4 May 2011, adopted in conjunction with the Ministry of Work and Social Policy (*Ministero del Lavoro e delle Politiche Sociali*) is aimed at protecting employment levels subsequent to the awarding of new gas distribution concessions.

With regard to gas distribution concessions, Article 14, paragraph 8 of Legislative Decree No. 164 of 2000 establishes that the new operator is obliged, *inter alia*, to pay a sum to the outgoing distributor equal to the Reimbursement Value for the plants whose ownership is transferred from the outgoing distributor to the new operator. Specifically, MD 226 provides that the incoming operator acquires ownership of the facility with payment of the reimbursement to the outgoing operator, with the exception of any portions of the facility already under municipal ownership or which become municipally owned as a result of any free donations.

As a result of these regulations, there could be cases in which the amount to be reimbursed is lower or higher than the value of the Regulatory Asset Base (**RAB**).

The estimated RAB of the Italgas Group on 31 December 2017 was approximately €5.85 billion[5], as the sum of the Local RAB of approximately €5.5 billion and the Centralised RAB of approximately €0.3 billion.

The Reimbursement Value of the total portfolio of the concessions of the Italgas Group, net of free assignments, is based on the method provided for by Article 5 of MD 226, as amended, and by the guidelines, making an exception for concessions that, based on the aforementioned regulation, provide for

5 RAB as of 31 December 2017 was estimated using as a reference the last RAB defined for regulatory purposes (RAB for tariff definition 2016), increased by the investments made in 2016 and 2017 and reduced by the share of annual depreciation and amortisation for 2016 and 2017.

specific contractual stipulations regarding the calculation of the Reimbursement Value (Roma Capitale, City of Venice, Naples and other smaller municipalities).

It is possible that the Reimbursement Value of the concessions resulting from the tenders, where a third party is an assignee, is below the value of the RAB. Such a case could have negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In 2012, Italgas Reti won the tender awarding the concession for natural gas distribution service in the Municipality of Rome, which represents the most significant concession in Italgas' portfolio (Roma Capitale concession includes about 1.3 million RPs out of a total for the Italgas Group of about 6.5 million equal to approximately 20%). Upon the outcome of the tender, for which the Local Tender Processes regulation still did not apply, a service agreement was signed with a term of 12 years, which is due to expire on 20 November 2024. The municipality of Rome has made the network, facilities and buildings instrumental to the service available to Italgas Reti for the entire term of the service agreement.

The Reimbursement Value for the Roma Capitale concession was estimated as the sum of:

(i) the amount paid to the municipality of Rome at the beginning of the concession (November 2012) as a one-off payment for the management of the service, net of amortisation as of 31 December 2017 calculated for the duration of the agreement and on the basis of the remaining Reimbursement Value at the end of the concession, as provided for in the agreement; and

(ii) the value of cumulative investments starting at the beginning of the concession, in accordance with the provisions set out in the agreement, and, in particular, with reference to their partial acknowledgement within the Reimbursement Value, net of related amortisation.

As of 31 December 2017, Italgas Reti has estimated the RAB related to the Roma Capitale concession to be about €1.4 billion (equal to approximately 24% of the RAB total of the Italgas Group). It cannot be excluded that, at the time of expiration of the service agreement, the difference between the Reimbursement Value and the RAB value related to the Roma Capitale concession could be higher than the one estimated as of 31 December 2017.

If concessions for municipalities previously managed by Italgas Reti or its subsidiaries are awarded, based on the analyses conducted by the regulatory framework in force and under the scope of existing IAS/IFRS international accounting principles, the event would be represented in the financial statements together with the situation before the tender and thus without recording the greater values, therefore not resulting in the realisation of taxable income for the purpose of IRES and IRAP.

Because of the complexity of the applicable regulations, this could result in the risk of different interpretations, with possible negative effects on the balance sheet, income statement and financial position of the Italgas Group. At the date of this Base Prospectus, no specific interpretations were noted of the above-mentioned applicable legislation that could cause negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

See section "*Regulatory and Legislative Framework" – "Principal Legislation regarding regulation of the Issuer*" and "*Regulatory and Legislative Framework" – "Regulatory – Tariffs*" below.

As at 30 June 2018, Italgas Reti and its consolidated subsidiaries together held 1,601 active concessions representing 6.625 million redelivery points. Of these, 1,269 concessions representing approximately 5 million redelivery points (or 76% of total redelivery points) have expired. As at the date of this Base Prospectus, there is no significant data regarding participation by the Issuer and its consolidated subsidiaries in tenders for distribution concessions or historical success rate in terms of winning distribution concessions because the new tender concession regime has been in place for only a short period. Italgas Reti will

evaluate, on a case by case basis, whether to participate in future tenders for gas distribution concessions taking into account, among other things, the economic and other conditions described in the relevant tender bid.

It should be noted, however, that issues surrounding the expiry date of concessions affect not only the Issuer and its subsidiaries but all operators in the Italian gas distribution sector since the matter is regulated by provisions of law. In addition, as natural gas distribution has been qualified as a public service by the Letta Decree, when a concession expires, Italgas Reti and its relevant subsidiaries will continue to provide (and be remunerated for) the service under the terms of the expired concession until a new concession has been awarded. It should also be noted that, as described above, where an operator is not awarded a concession it currently operates, the same is entitled to receive a compensation amount or indemnification payment. See also section "*Regulatory and Legislative Framework*" below.

Key Operating Figures

The table below provides some key operating figures for the Italgas Group's main business.

	2017	June 2018	Change	Change (%)
Active meters (millions)	6.586	6.625	0.039	0.6%
Distribution concessions (number)	1,500	1,601	101	6.7%
Distribution network (kilometres) **(*)**	57,773	59,272	1,499	2.6%

(*)This figure refers to the kilometres of network operated by Italgas Group.

Employees

As at 30 June 2018, the Italgas Group had 3,625 employees. The tables below show the number of personnel employed in each contractual position and the number employed by each company, together with a comparison against the previous year:

Personnel in service by position (number)	2017	June 2018	Change
Executives	60	60	0
Managers	251	263	12
Office workers	1.938	1.975	37
Manual workers	1.335	1.327	- 8
	3.584	**3.625**	**41**

Personnel in service by Company	2017	June 2018	Change
Italgas S.p.A.	460	489	29
Italgas Reti	3.025	3083	58
Italgas Acqua[1]	0	14	14
Acam Gas[2]	88	0	-88
Enerco[3]	11	0	-11
Medea[4]	0	22	22
Seaside[5]	0	17	17
	3.584	**3.625**	**41**

[1] On January 2018 Italgas Acqua was established after partial and proportional demerger of Italgas Reti S.p.A.
[2] On 1 June 2018, Acam Gas was merged by incorporation into Italgas Reti.
[3] On 1 May 2018, Enerco was merged by incorporation into Italgas Reti.

[4] Since April 2018, Medea has been a company of Italgas Group.
[5] Since March 2018, Seaside has been a company of Italgas Group.

Health, Safety, Environment and Quality

Italgas Reti was the first Italian company in the gas distribution sector to obtain recognition in the form of the "Integrated Quality, Environment and Safety Certification" in 2001 from the Det Norske Veritas (*DNV*) international certification organisation, and this was also extended to energy management in 2012. Since then, every six months the Certification Organisation verifies compliance of the company's operations with international standards UNI EN ISO 9001, UNI EN ISO 14001, BS OHSAS 18001 and UNI CEI EN ISO 50001 in order to maintain certification. The commitment to areas such as the environment, health, safety and energy management, which are aimed at providing quality and customer satisfaction, are embodied in the adoption of the "Health, Safety, Environment, Quality and Energy Policy".

Research and Development

In keeping with industry regulations in Europe (Energy Efficiency Directive) and Italy (ARERA regulations on responsibility for metering and in the area of implementing smart metering), Italgas Reti was one of the first distributors in Italy to provide its meters with advanced technologies and in 2009 launched the project "Remote meter reading at gas redelivery points". During the experimentation phase, application products and technological market solutions were closely evaluated. The new AMM-MDM (Automatic Meter Management and Meter Data Management) information systems, equipped with all functions to manage the reading system for remote meter reading and traditional meters, were released in August 2013 for industrial and commercial users and implemented in April 2016 for all other users (over 6 million). With regard to the development of remote meter reading, Italgas Reti implemented the Work Force Management system, making it possible to manage installation, configuration, activation and maintenance of remotely read meters by equipping operational staff with a single tool (tablets).

Italgas' Debt Structure

As at the date of this Base Prospectus, the debt of the Italgas Group is composed by approximately 85.4% fixed rate debt and by 14.6% floating rate credit lines.

The reduction in floating rate financial debt compared with 31 December 2017 is mainly attributable to the repayment of a Term Loan for an amount equal to €200 million. On 30 January 2018, the Issuer reopened the bond issue originally launched on 18 September 2017 (€500 million, 18 January 2029 maturity and 1.625% coupon) for a nominal amount of €250 million. Italgas current debt structure is composed by bonds with the following characteristics: (i) a nominal amount equal to €1,500 million, issued on 19 January 2017 and divided into two tranches, the first having a term equal to 5 years and the second 10 years, both at a fixed rate, amounting to €750 million each and an annual coupon of 0.50% and 1.625% respectively; (ii) a nominal amount equal to €650 million issued on 14 March 2017, maturing on 14 March 2024 having a fixed rate annual coupon of 1.125%; (iii) a nominal amount equal to €750 million issued on 18 September 2017 and reopened on 30 January 2018, maturing on 18 January 2029 and having a fixed rate annual coupon equal to 1.625%.

In addition to the bond issues, Italgas can also rely on three European Investment Bank (**EIB**) loans for a total amount of €784 million, intended for specific investment projects involving natural gas distribution. On 15 January 2018, Italgas signed an Interest Rate Swap (IRS) contract to hedge a floating rate EIB loan (6M Euribor) for a seven-years duration totalling €360 million in relation to a new loan denominated "Italgas Network Upgrade".

As regards future financial strategy, Italgas's objective is to establish a financial structure (in terms of debt to Regulatory Asset Base (**RAB**) ratio, between short- and medium-to-long-term debt, fixed-rate and variable-

rate debt, and bank credit granted and bank credit used) which, in line with the business objectives and the regulatory context in which Italgas shall operate, would guarantee access to the banking and bond market, ensure an adequate level of liquidity, while minimising the relative opportunity cost and maintaining balance in terms of the duration and composition of the debt.

Enterprise Risk Management

The Enterprise Risk Management (the **ERM**) unit reports directly to the General Manager Finance and Services and oversees the integrated process of managing corporate risk for all Group companies.

The main objectives of ERM are to define, implement, maintain and evolve a risk assessment system that allows risks to be identified, using standardised, group-wide policies, measured in terms of likelihood and impact, according to group risk scoring scales and prioritised, to provide consolidated measures to mitigate these risks, and to draw up adequate reporting. The ERM system adopted by the Italgas Group is based on existing international best practices (COSO Framework and ISO 31000).

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

The ERM system enables dynamic and integrated group-wide risk assessment that bring out the best of the management systems in individual corporate processes. Group-wide risk assessment is performed on annual basis, while single risk information, evaluation and treatment activities are updated periodically (from semi-annual to quarterly frequency, based on risk severity).

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

Material Litigation

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

According to the procedure known as "Financial Report" ("*Bilancio*") (Annex I), the relevant legal proceedings are those in which counterparties and/or third party claims are equal to or in excess of €250,000 and/or may produce material adverse effects on the Issuer image and/or reputation (the **Relevant Proceedings**). As a consequence, legal proceedings that do not comply with such requirements are considered not relevant (the **Non-Relevant Proceedings**).

The accounting provision is calculated by aggregating the values of the liabilities that may arise in the event of a negative outcome of a Relevant Proceeding. It is usually carried out when the unfavourable outcome of the relative proceeding has a probability of occurrence greater than 50% and the burden's amount can be estimated reliably. Instead, as regard the Non-Relevant Proceedings, the accounting provision is based on a lump sum of €25,000 that is to be multiplied by the number of the Non-Relevant Proceedings up to a maximum amount calculated as the sum of the following: (a) the *petitum* of the Non-Relevant Proceedings with a specified amount; (b) the number of the Non-Relevant Proceedings with an unspecified amount multiplied by 25,000.

As at 30 June 2018, in relation to the Issuer the risks provision for legal disputes was made for a total amount of €14 million. In making such provision, the Board of Directors has taken into account the potential risks relating to each claim and the applicable accounting standards on probable and quantifiable risks. The most relevant claims and proceedings are summarised below, together with an indication of the total amount claimed, if known. See "*Risk Factors" - "Risks associated with legal proceedings and disputes*".

Criminal Proceedings

Rome incident, Via Parlatore

The Public Prosecutor of the Court of Rome has opened an investigation against some managers of Italgas Reti in relation to the incident that occurred on 7 September 2015 during the implementation of the interconnecting works between two polyethylene pipes already installed within the project of grey cast-iron pipes replacement with hemp and lead seals, in Via Filippo Parlatore and neighbouring streets in Rome. An explosion occurred during the course of the activities, due to a gas leak. The incident led to the death of an Italgas Reti worker and injured two workers of a third-party company. The Public Prosecutor in Rome, on May 5, 2017, filed a motion for dismissal (*domanda di archiviazione*) for all the suspects. The dossier was submitted to the Judge for preliminary investigations (G.I.P.).

Cerro Maggiore/via Risorgimento Event

With reference to the investigations regarding an accident which took place on 11 November 2015 during an emergency repair at the Municipality of Cerro Maggiore, the Public Prosecutor on 24 April 2017 notified the ordinance pursuant to art. 415 bis of the Italian Code of Criminal Procedure (*avviso di conclusione delle indagini preliminari)* to the persons under investigation and Italgas Reti, in respect of which it is alleged that no preventive measures have been adopted in the field of work safety. Save as for the person which has been appointed as the Employer (*datore di lavoro ex Legislative Decree n. 81/2008*) of Italgas Reti, whose position was dismissed (*archiviata*) by a Decree of 27 April 2018, on 4 May 2018 the request for commitment to trial has been notified, complying with the notification of 24 April 2017. Italgas Reti is working on the most appropriate defence in order to be discharged from any accusation.

Other Proceedings

Italgas Reti / Municipality of Venice

Italgas Reti has started a proceeding before the competent Administrative Court (TAR Veneto) against the decision of Municipality of Venice to reduce the redemption value of the assets under concession due to Italgas Reti by € 31,000,000. The Municipality of Venice claims to have acquired the ownership of part of the natural gas distribution network by virtue of a free of charge transfer provided by the public service concession contract. The Administrative Court rejected the Company's appeal on the grounds that entitlement to the free transfer of part of the distribution network was accrued when the concession relationship originally expired (2010). The Company, deeming the decision of the Administrative Court inconsistent with the applicable regulations, appealed the decision before the Council of State. On the other hand, the Administrative Court accepted the appeal filed by the Company and annulled the tender for assigning the gas distribution service within Venice 1 – Laguna Veneta and related appendices. On 4 July 2018, the Council of State's decision 4104/2018 was issued which rejected the appeal brought by Italgas Reti against the decision of the TAR Veneto n. 654/2017, confirming the acquisition, free of charge, by the Municipality of Venice of the assets included in the "Block A", as well as the obligation for the Company to pay a fee for the use of the portion of network object of transfer without consideration. Consequently, following the abovementioned Council of State's decision 4104/2018, the Company has accelerated the depreciation of the portion of the network relating to the so-called. Block A for a value, as of 30 June 2018, of Euro 3.0 million. The Company appealed the decision of the Council of State to obtain a revision (*ricorso per revocazione*).

ARERA Proceedings

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

With Resolution 104/2015/S/gas of 12 March 2015, the ARERA started proceeding against Italgas Reti alleging violations of invoicing procedure of a tariff component called COLci. At the end of the proceeding, by resolution 414/2018/S/GAS of 2 August 2018, Italgas Reti was ordered to pay a fine of Euro 327,150.

Resolution 33/2012/S/GAS - The ARERA has launched infringement proceedings against Italgas Reti S.p.A., disputing, specifically, the failure, by the Company to comply, with regard to the Venice network distribution, with the obligation to recondition or replace, by 31 December 2010, at least 50% of the hemp- and lead-sealed joints in operation as at 31 December 2003, as set out in Article 12(7) letter b) of the Regulation of the Quality of Gas Distribution and Metering Services (Annex RGDQ to the Resolution ARG/gas 120/08 for years 2009-2012). At the end of the proceedings, by resolution n. 197/2017/S/gas Italgas Reti was ordered to pay the amount of Euro 204,000. Italgas Reti commenced proceedings against the above mentioned resolution of the ARERA which are currently pending before the competent Administrative Court.

Principal Shareholders

As at the date of this Base Prospectus, the Issuer fully subscribed and paid-up share capital is €1,001,231,518.44, divided into 809,135,502 ordinary shares with no par value. As at the date of this Base Prospectus, there are no other classes of shares in issue.

On 19 April 2018, the Extraordinary Shareholders meeting resolved to increase the share capital by a maximum amount of 4,960,000.00 euro, through the issue of no more than 4,000,000 new ordinary shares to be assigned free of charge, pursuant to article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earnings reserves, for beneficiaries of the Incentive Plan approved by the Ordinary meeting of 19 April 2018, to be implemented no later than 30 June 2023.

Since 7 November 2016, the Issuer's shares have been listed on the MTA (*mercato telematico azionario*) division of the Borsa Italiana.

As at the date of this Base Prospectus on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the main shareholders directly or indirectly owning an interest greater than 3% of Italgas' share capital are (i) CDP, with an overall 26.05% stake of the ordinary share capital, held through CDP Reti S.p.A. (ii) Snam with a stake of 13.50% of the ordinary share capital of the Issuer, (iii) Lazard Asset Management with a stake of 7.3% of the ordinary share capital (iv) Mr. Romano Minozzi who holds, also through his companies Iris Ceramica Group S.p.A, GranitiFiandre S.p.A. and Finanziaria Ceramica Castellarano S.p.A., 4.99% of the ordinary share capital and (v) BlackRock Inc. with a stake of 3.7% of the ordinary share capital. The remaining (free float) is held by other shareholders.

As at the date of approval of this Base Prospectus, based on information in Issuer's shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the shareholders owning interests in excess of 3% of the Issuer's ordinary shares are as follows:

Declarant	**Direct shareholder**	**Proportion of ordinary share capital (%)**	**Total share % of the declarant**
CDP	CDP Reti	26.05	26.05
Snam	Snam	13.50	13.50
Lazard Asset Management	Lazard Asset Management	7.3	7.3

Romano Minozzi	Finanziaria Ceramica Castellarano S.p.A.	0.23	4.99
	Granitifiandre S.p.A.	0.38	
	Iris Ceramica Group S.p.A.	1.88	
	Romano Minozzi	2.50	
BlackRock Inc.	BlackRock Institutional Trust Company	2.40	3.7
	BlackRock Advisors Limited	1.1	
	BlackRock A.M Deutschland	0.2	

As of the date of this Base Prospectus, Snam and CDP Reti are parties of a Shareholders' Agreement signed on 20 October 2016 relating to the equity investments which are held in Italgas, amounting to 13.50%, and 26.05%, respectively (the **Shareholders' Agreement**). A purpose of the Shareholder's Agreement is to ensure a stable and transparent ownership structure and the general provisions of governance of Italgas upon the outcome of the Transaction. The Shareholders' Agreement has a term of three years and is renewable.

CDP specified that, based on the evaluation of (i) the amount of the holdings of CDP Reti and Snam – controlled, pursuant to the IFRS10 principle, by CDP, applied to the Shareholders' Agreement, equal to 39.55% of the share capital of the Issuer and (ii) the provisions of the Shareholders' Agreement, there was deemed to be sufficient evidence of the existence of *de facto* control, in accordance with IFRS 10.

Brief description of the main shareholders

CDP S.p.A. and CDP Reti S.p.A.

As at the date of this Base Prospectus, CDP Reti S.p.A. holds 26.05% of Issuer's share capital.

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

CDP is a limited liability company (*società per azioni*) controlled by the Italian Ministry of the Economy and Finance (the Italian Ministry of the Economy and Finance holds 80.1% of the corporate capital of CDP, a broad group of bank foundations holds 18.4% of the corporate capital of CDP and the remaining shares - equal to 1.5% - are represented by own shares held by CDP). CDP's mission is to foster the development of public investment, local utility infrastructure works and major public works of national interest.

Snam S.p.A.

Snam holds 13.50% of the share capital of the Issuer.

Snam**,** through its operating subsidiaries, is the leading operator in the regulated gas sector in Italy and one of the main regulated operators in Europe in terms of regulatory asset base (RAB). Snam's main business areas, (namely transportation and dispatching, storage, and liquefied natural gas ("LNG") regasification) are all regulated activities in Italy under the authority of the ARERA.

Measures in place to ensure major shareholder control is not abused

The Issuer has adopted a procedure for transactions with related parties issued in compliance with the provisions of the Article 2391-*bis* of Italian Civil Code and CONSOB Resolution No. 17221/2010; such procedure establishes the principles and rules to which the Issuer and its subsidiaries must adhere to in order ensure transparency and substantial and procedural fairness of related parties transactions.

Management, Statutory Auditors and Committees

Corporate Governance of the Issuer

The Issuer adopts the traditional system of administration and control comprising of:

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

Independent Auditors were appointed by the Shareholders' Meeting following proposal from the Board of Statutory Auditors.

The Issuer's corporate governance system will comply with the Code of Corporate Governance of Listed Companies promoted by the Borsa Italiana (the **Code of Corporate Governance**) and also with the Code of Corporate Governance issued in July 2018 by the corporate governance committee of the Borsa Italiana (the **Corporate Governance Committee**).

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

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

The Issuer also has adopted a code of ethics (the **Code of Ethics**). The Code of Ethics defines a shared system of values and expresses the business ethics culture of the Issuer, as well as inspiring strategic thinking and guidance of business activities. The Code of Ethics defines the guiding principles that serve as the basis for the entire internal control and risk management system, including (i) the segregation of duties among the entities assigned to the processes of authorisation, execution or control; (ii) the existence of corporate determinations capable of providing the general standards of reference to govern corporate activities and

processes; (iii) the existence of formal rules for the exercise of signatory powers and internal powers of authorisation; and (iv) traceability (ensured through the adoption of information systems capable of identifying and reconstructing the sources, the information and the controls carried out to support the formation and implementation of the decisions of the Issuer and the methods of financial resource management).

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

Board of Directors

The Board of Directors has responsibility for the management of Italgas and is vested with full powers for management and, in particular, may take all actions it deems necessary for the implementation and achievement of any corporate purpose, excluding only acts that the law or the By-laws reserve for Shareholders' Meetings.

On 4 August 2016, the Board of Directors of the Issuer resolved to reserve several powers exclusively, pursuant to Article 2381 of the Civil Code, to the Board of Directors and to assign certain powers to the Chairman and to the Director Paolo Gallo, who was appointed Chief Executive Officer (**CEO**).

The Board of Directors can always give directives to the CEO and recall transactions coming under its jurisdiction, in the same way as it can, at any time, revoke the proxies conferred, proceeding, in the case of the revocation of proxies conferred on the CEO, at the same time to appoint another CEO. The Board of Directors can also set up committees, deciding upon their powers and the number of members.

Current Board of Directors Members

Pursuant to Article 13 of the existing by-laws of Italgas, the Board of Directors of Italgas is composed of nine members. The Board of Directors appointed by the ordinary shareholders' meeting of 4 August 2016 will remain in office for three financial years, until the date of the ordinary shareholders' meeting called for the approval of the 2018 financial statements[6].

The shareholders' meeting held on 19 April 2018 confirmed, as a Director, Ms. Federica Lolli, who was co-opted by the Board of Directors on 27 July 2017 to replace the outgoing Ms. Barbara Borra. Moreover, the Shareholders' Meeting decided that Ms. Federica Lolli will remain in office until the expiration of the term of the current Board of Directors.The table below sets out the name, office held and date and place of birth for each of the current members of the Issuer's Board of Directors:

Name	Office	Date and place of birth
Lorenzo Bini Smaghi	Chairman	Florence, Italy 1956
Paolo Gallo	Chief Executive Officer	Turin, Italy 1961
Nicola Bedin(1)	Director	Montebelluna, Italy 1977
Federica Lolli(1)	Director	Cento, Italy, 1974
Maurizio Dainelli	Director	Rome, Italy 1977
Yunpeng He	Director	Baotou (Inner Mongolia,

[6] As a result, the provisions of the bylaws that guarantee– pursuant to Article 147 ter(3) of the TUF and the Shareholders' Agreement – that two directors are appointed from the minority list that obtained the greater number of votes (and not associated in any way, not even indirectly, with the shareholders who submitted or voted for the list with the highest number of votes) shall apply only with effect from the date of the aforementioned shareholders' meeting.

		China) 6 February 1965
Cinzia Farisè[(1)]	Director	Niardo, Italy 1964
Paolo Mosa	Director	Cremona, Italy 1960
Paola Annamaria Petrone[(1)]	Director	Milan, Italy 1967

[(1)] Director fulfilling the independence requirements set out in Article 148, paragraph 3 of Italian Legislative Decree No. 58 of 24 February 1998 (as later amended and supplemented) (TUF) and in the Code of Corporate Governance approved by the Corporate Governance Committee.

For the purposes of the above-mentioned positions, each member of the Board of Directors is domiciled at the Issuer's registered office at Via Carlo Bo, 11, Milan, Italy.

Below is a brief *curriculum vitae* of each of the members of the Board of Directors appointed by the Shareholders' Meeting of the Issuer as at 4 August 2016, giving details of their skills and experience gained in business management.

Lorenzo Bini Smaghi (Chairman). Born in Florence in 1956, he obtained a degree in Economics from the University of Lovanio. He then gained a M.Sc. in Economics at the University of Southern California and a PhD in the same subject at the University of Chicago. He is the chairman of Societé Genérale and of Italgas. He is also Visiting Scholar at the Weatherhead Center for International Affairs of Harvard and Senior Fellow at LUISS School of European Political Economy. In addition, he is a member of the Board of Directors of Tages Holding and chairs the University of Chicago Alumni Club of Italy Association. He has held various roles, including member of the Executive Committee of the European Central Bank (2005-2011), chairman of SNAM (2012-2016) and of SACE (2001-2005), member of the Board of Directors of Finmeccanica, of MTS, of the European Investments Bank and of Morgan Stanley International. He was the first President of the Fondazione Palazzo Strozzi (2006-2016). He started his career in 1983 as an economist in the Research Department of Banca d'Italia. In 1994 he went on to manage the Policy Division of the European Monetary Institute. In October 1998 he was appointed Director General for International Financial Relations of the Italian Ministry of the Economy, where he held the role of Italian Sherpa at the G7 and G20, and was Vice President of the Economic and Financial Committee of the European Union. He is the author of various article and books on international and European monetary and financial topics, including "*Morire di Austerità: Democrazie europee con le spalle al muro*", Il Mulino, 2013 ("*Austerity, European Democracies against the Wall*", Ceps, Brussels 2013), and "*33 false verità sull'Europa*", Il Mulino, 2014. His last book was released in May 2017: "*La tentazione di andarsene; fuori dall'Europa c'è un futuro per l'Italia?*" (ed. Il Mulino). He is also a columnist for the Financial Times (A-list) and Corriere della Sera.

Paolo Gallo (CEO and **General Manager[7]).** Born in Turin in 1961, he gained a degree in Aeronautical Engineering at the Polytechnic of Turin. He later gained an MBA from the Università degli Studi di Torino. From 2014 to 2016 he was CEO of Grandi Stazioni S.p.A., where he finalised the privatization of the company. Previously (2011-2014) he was firstly General Manager and then CEO of Acea S.p.A., one of the leading Italian multi-utility companies, listed on the Milan stock exchange. From 2002 to 2011 he was part of the Edison Group, first as Director of Strategy and Innovation and later from 2003 to 2011 as General Manager and then CEO of Edipower. He began his career at Fiat Avio S.p.A. in 1988 where he held various positions of responsibility for 13 years. In 1997 he began to get involved in the energy sector developing new initiatives in Italy, India and Brazil and later combined all the electricity generation activities for the Fiat Group at Fiat Energia (where he was CEO until 2002), the vehicle company through which the Fiat Group bought Montedison in July 2001. Between 1992 and 1993 he was Director of the MBA course at the School of Business Management of the University of Turin teaching on "The economic-financial evaluation of industrial investments" until 2002 and he was the co-author of important publications in the industry.

[7] On 26 September 2016, the Board of Directors appointed the CEO as General Manager.

Nicola Bedin (Director). Entrepreneur. In 2018, he has created Lifenet, an entrepreneurial initiative in the healthcare sector that includes hospital and outpatient activities. From 2005 until September 2017, he was the CEO of the Gruppo Ospedaliero San Donato which, with annual revenue of Euro 1.6 billion, is the leading Italian operator in the hospital sector. He was the CEO of the Ospedale San Raffaele, managing its economic recovery, from May 2012 (the date Ospedale San Raffaele joined the scope of consolidation of the Group) to September 2017. Between 2015 and September 2017 he was also the CEO of the Vita-Salute San Raffaele University. He began his professional career as a financial analyst at Mediobanca, from 2001 to 2004, when he was called by Prof. Giuseppe Rotelli as his assistant at the Gruppo Ospedaliero San Donato. He gained a degree in Business Administration from the Bocconi University. He spent the fourth year of high school in the United States, where he returned during his university studies, to the University of Texas, Austin and the University of California, Berkeley. He is a visiting professor at the University of Pavia, teaching applied economics. He was also a visiting professor for two years at the Vita-Salute San Raffaele University, teaching health economics. Between 2012 and 2017 he was a member of the national board of AIOP (Associazione Italiana Ospedalità Privata - Italian Association of Private Hospitals) and between 2005 and 2017 he was a member of the Executive Committee of AIOP Lombardy. Furthermore, between March 2010 and 2017 he was a member of the Board of the Assolombarda Gruppo Sanità, as well as of the Assolombarda Advisory Board Life Science between May 2015 and 2017. He was born in Montebelluna (TV) in 1977.

Maurizio Dainelli (Director). Born in Rome in 1977, he gained a degree in Jurisprudence and has been admitted to the Bar. He has been working at CDP Legal Services where he is currently head of Legal Equity and Finance. Before that, he practised professional forensic law at Bonelli Erede Pappalardo Studio Legale, including a period to the London office of the investment bank J.P. Morgan, as Visiting Foreign Lawyer. He began his career in 2000 at Andersen Legal.

Cinzia Farisè (Director). Born in Niardo (BS) in 1964, she graduated in Economics and Business from the University of Brescia. Between 2014 and September 2018 Cinzia Farisè was CEO of Trenord Srl. She has been President of the Swiss/Italian TILO SA since 2016. She covers the role of Vice President of AGENS/Confindustria and she is member of the Board of Directors of CAL Concessioni Autostradali Lombarde SpA. With more than 25 years of experience in national and international companies, she served both service and industry businesses. She held the position of CEO of Prysmian India and she was Global Vice President of Energy and Infrastructure Business Unit for the Prysmian Group.

Yunpeng He (Director). Born in Batou City (Inner Mongolia, China) in 1965. Bachelor's Degree and Master's Degree in Electric and Automation Engineering from Tianjin University. Master's degree in Management of Technology from the Rensselaer Polytechnic Institute (RPI). Currently he holds the office of Board Director of CDP Reti S.p.A., SNAM S.p.A., Terna S.p.A. and IPTO S.A. (the Transmission System Operator for the Hellenic Electricity Transmission System). He has held the position of Deputy General Manager of the European Representative Office of the State Grid Corporation of China from January 2013 to December 2014. He has held the following positions at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer from December 2008 to September 2012, Director of the Economic and Legal Department from June 2011 to September 2012, Director of the Planning and Development Department from October 2005 to December 2008, Director of the Planning and Design Department from January 2002 to October 2005. Lastly, he was Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and Chairman of the Tianjin Electric Power Design Institute from June 2000 to January 2002.

Federica Lolli (Director). Born in Cento (FE) in 1974, she graduated in Law at the University of Bologna, where she also collaborated as teaching assistant with the civil law department of Prof. Ugo Ruffolo. She has been licensed to practice law since 2001. Since January 2017 she is Legal Director, Italy and Spain for LyondellBasell, a Company listed on the NYSE, among the top five groups in the chemical sector in the world. For LyondellBasell she is responsible for overseeing all legal areas that could have an impact on their production activities and R&D in Italy and Spain (three production sites and the most important Research Centre in the world) with a particular focus on Manufacturing, Supply Chain and Procurement, in addition to the coordination of legal affairs for the HSE, Compliance and Corporate areas. She started her career as

company lawyer in July 2000 when she entered Datalogic S.p.A. - world leader in the automatic acquisition of data and process automation - of which she followed the listing at the Mercato Nuovo (New Market) of Borsa Italiana and in which she held various different roles of increasing responsibility in the legal department and intellectual property rights area. From 2009 to 2015 she was Group General Counsel and Head of Intellectual Property for the Datalogic Group, as well as member of the board of directors, with powers for legal affairs and intellectual property, in some subsidiaries of the Group. Alumnus of the London Business School where she attended the ADP program in General Management in 2008.

Paolo Mosa (Director). Born in Cremona in 1960. Bachelor of Mechanical Engineering from the Polytechnic University of Milan. Since November 2016, he has headed the Snam's Commercial, Regulation and Development Business Unit Commerciale. He began his carrier at Snam Group in 1987. Between 2000 and 2001, he was responsible from coordinating Snam's foreign subsidiaries, owners of the transport infrastructure required for importing natural gas into Italy. During this period, he served as CEO of TMPC Ltd. and was a member of the board of directors of TAG GmbH, TENP GmbH, TTPC Ltd. and Transitgas SA. Until 2002, he was also a member of the Board of Directors of TIGAZ, one of the main gas distribution companies in Hungary. In 2001, he was appointed Director responsible for network development investment planning activities at Snam Rete Gas, as well as being responsible for managing transport contracts and relations with the Italian Authority for Electricity and Gas. From 2009 to 2012, he was part of the Board of ENTSOG (European association of gas transport companies). Until 2008, he was also a member of the board of directors of GNL Italia, the company that manages the LNG regassification plant located in Panigaglia (La Spezia). From 2010 to 2014, he was CEO of Italgas. From 2014 to 2016, he was CEO of Snam Rete Gas and Chairman of the Supervisory Board of Tag GmbH. He is also currently a member of the Board of Directors of Snam Rete Gas S.p.A.

Paola Annamaria Petrone (Director). Born in Milan in 1967, she gained a degree in Modern Languages and Literature from the IULM University of Milan. She later gained an MBA from the SDA Bocconi School of Management, Milan. She is currently General Manager for AAMPS S.p.A. She was the General Manager of AMSA, a company of A2A Group from 2012 to 2015. Previously, she worked for the FCA Group, firstly as Global Director Outbound Logistics and CEO of I-Fast Automotive Logistics and later on, from 2010, as Global Senior Vice President Supply Chain Management of FCA and Chair of I Fast Container Logistics. Between 2003 and 2008 she worked at Trenitalia, holding various posts, most recently as Director of Regional Transport for Lombardy. From 2000 to 2002 she worked as a Manager at Roland Berger Strategy Consultants. She started out on her career at the Siemens Group, firstly in Inbound Logistics of the Milan Industrial Automation Division, then as Key Account Manager for Italy at the parent company in Germany.

Principal Activities of the Directors outside the Issuer's Group

Excluding the roles held at Italgas as at the date of this Base Prospectus, the table below lists all the companies with share capital or partnerships in which members of the Board of Directors of the Issuer are members of management, control or supervisory bodies, or holders of "qualified" equity investment (more than 3% in listed companies and 10% in unlisted companies), with details of the status of the office and/or the stake held at the date of this Base Prospectus:

Name	Company	Office/Stake held	Status of the office / stakeholding as at the of this Base Prospectus
Lorenzo Bini Smaghi	Société Générale S.A. Tages Holding S.p.A.	Chairman of the BoD Director	In office In office
Paolo Gallo	Italgas Reti S.p.A. Errenergia S.r.l.	Chairman of the BoD Director	In office In office
Nicola Bedin	BLP S.r.l. Invin S.r.l. Mavi S.r.l. Eunomia S.p.A. Centro Medico Visconti di	Sole Director Sole Director Sole Director Chairman of the BoD	In office In office In office In office

	Modrone		
	Hospital Piccole Figlie – Società a Responsabilità Limitata	Chairman of the BoD	In office
	Parma HealthCare S.p.A.	Chairman of the BoD	In office
	Società Agricola Cerere S.r.l.	Chairman of the BoD	In office
	REWA S.r.l.	Chairman of the BoD	In office
	Industrie Emiliana Parati S.p.A.	Director	In office
	Società Agricola Cerere S.r.l	Quotaholder	51.28 %
	BLP S.r.l.	Quotaholder	51%
	Invin S.r.l.	Quotaholder	70%
Federica Lolli	none	none	none
Maurizio Dainelli	none	none	none
Cinzia Farisè	Concessioni Autostradali Lombarde S.p.A.	Director	In office
	TiLo S.A.	Chairman of the BoD	In office
	UBI Banca S.p.A.	Shareholder (250 shares)	In office
Yunpeng He	CDP Reti S.p.A.	Director	In office
	Snam S.p.A.	Director	In office
	Terna S.p.A.	Director	In office
	IPTO S.A.	Director	In office
Paolo Mosa	Snam Rete Gas S.p.A.	Director	In office
	Snam4Mobility S.p.A.	Chairman of the BoD and Chief Executive Officer	In office
	IES Biogas S.r.l.	Chairman of the BoD	In office
	Cubogas S.r.l.	Chairman of the BoD and Chief Executive Officer	In office
Paola Annamaria Petrone	AAMPS S.p.A.	General Manager	In office

Board of Directors – Committees

Pursuant to Article 13.8 of the by-laws of Italgas, the Board of Directors can set up internal committees to assign consultation and proactive powers on specific subjects. Specifically the Board of Directors (i) on 4 August 2016, set up a control and risks and related-party transactions committee (the **Control and Risk and Related-Party Transactions Committee**) and a sustainability committee (the **Sustainability Committee**), and (ii) on 23 October 2017 set up an Appointments and Compensation Committee (the **Appointments and Compensation Committee**), combining the pre-existing Appointments Committee and the Remuneration Committee (collectively the **Committees**). The Board of Directors defined tasks, operating methods and composition criteria of the Committees.

The tasks assigned and operating rules adopted by the above-mentioned committees is summarised below.

Control and Risk and Related-Party Transactions Committee

The Control and Risk and Related-Party Transactions Committee, appointed on 23 October 2017 in conformity with the applicable regulations and recommendations of the Code of Corporate Governance, is composed of three independent, non-executive directors.

It provides recommendations and advice to the Board of Directors by making suitable enquiries to support the Board of Director decisions and assessments concerning the internal control and risk management system, as well as those relating to the approval of financial reports. In particular:

- it evaluates, together with the Officer responsible for the preparation of financial reports and upon hearing the opinion of the Independent Auditors and Board of Statutory Auditors, the proper use of accounting standards and their consistency for purposes of preparing the consolidated financial statements;

- it expresses opinions on specific aspects involving the identification of the main risks to the Company;

- it carries out further tasks which are assigned by the Board of Directors with regard to transactions where directors and auditors have interests and related-party transactions, under the terms and conditions indicated in the Italgas OPC Procedure[8];

- it examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Audit Department;

- it monitors the independence, suitability, effectiveness and efficiency of the Internal Audit Department;

- it may ask the Internal Audit Manager to carry out inspections of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the director in charge of the internal control and risk management system;

- it reports to the Board of Directors, at least every six months, when the annual and interim financial reports are approved, on the activities conducted, as well as on the adequacy of the internal control and risk management system; in any event, after Control and Risk and Related-Party Transaction Committee meetings, it updates the Board of Directors, at the first meeting, regarding the subjects dealt with and any observations, recommendations and opinions formulated;

- it expresses an opinion on the proposals made by the Director responsible for the internal control and risk management system, in agreement with the Chairman, to the Board of Directors: (i) regarding the appointment, dismissal and remuneration of the Internal Audit Manager, in line with the Company's remuneration policies of Italgas; and (ii) which aim to ensure that this individual has the appropriate skills and resources with which to carry out his/her duties;

- it supports, making suitable enquiries, the assessments and decisions of the Board of Directors regarding the management of risks resulting from prejudicial events that have come to the knowledge of the Board of Directors or which the Control and Risk and Related-Party Transactions Committee has brought to the attention of the Board of Directors; and

- it expresses its opinion to the Board of Directors for:

  (i) the definition of the guidelines for the internal control and risk management system, so that the main risks affecting Italgas and its subsidiaries are correctly identified

[8] On 18 October 2016, the Board of Directors of Italgas defined the procedure for transactions with related parties, drawn up in accordance with the principles established by the OPC Regulation (*i.e.* regulation concerning the governance of Related-Party transactions adopted by CONSOB through resolution no. 17221 of 12 March 2010, as later amended and supplemented) and in Communication No. DEM/10078683 of 24 September 2010 (the **Italgas OPC Procedure**), deciding to subject it to the first meeting of the Control and Risk and Related Parties Transactions Committee so it could express its opinion within the meaning of the relevant legal and procedural provisions. On 14 December 2017, the Board of Directors, having received a favourable opinion from the Control and Risk and Related Party Transactions Committee, amended the Italgas OPC Procedure.

and adequately measured, managed and monitored, and to determine the degree of compatibility of such risks through management that is in line with the strategic objectives that have been set;

(ii) periodically evaluating, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of Italgas and the risk profile it has adopted;

(iii) periodically approving, at least once a year, the audit schedule prepared by the Internal Audit Manager;

(iv) describing, in the report on corporate governance and ownership structure (*Relazione sul governo societario e gli assetti proprietari*), the main features of the internal control and risk management system, as well as evaluating the adequacy of the system; and

(v) evaluating the conclusions presented by the Independent Auditors in any suggestion letters and in the report on key matters arising from the external audit.

Lastly, the Control and Risk and Related-Party Transactions Committee, performs the functions assigned to it by the Board of Directors under the scope of the Italgas OPC Procedure.

The Board of Statutory Auditors and the Control and Risk and Related-Party Transactions Committee receive and collect information, at least quarterly, from the control functions (*Internal Audit, Risk Management, Compliance*) and from the Independent Auditors about checks carried out and any weaknesses or critical areas or anomalies discovered.

The Control and Risk and Related-Party Transactions Committee is composed of the following members:

Name	**Role**
Paola Annamaria Petrone	Non-executive director – Chairman(1)
Nicola Bedin	Non-executive director(1)
Federica Lolli	Non-executive director (1)

(1) Director fulfilling the independence requirements set out in Article 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

At the time of appointment, the Board of Directors has verified that at least one member of the Control and Risk and Related-Party Transactions Committee possesses adequate experience in accounting, finance or risk management.

Meetings of the Control and Risk and Related-Party Transactions Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. If there is a tie, the Chairman of the Control and Risk and Related-Party Transactions Committee has the casting vote.

Members of the Board of Statutory Auditors are invited to attend meetings of the Control and Risk and Related-Party Transactions Committee. At the invitation of the Control and Risk and Related-Party Transactions Committee, the Chairman of the Board of Directors and the Director with responsibility for the internal control system and risk management can attend meetings. At the invitation of the Control and Risk

and Related-Party Transactions Committee, parties who are not members of the Control and Risk and Related-Party Transactions Committee can attend in order to provide information and express an opinion with regard to individual items on the agenda.

Appointments and Compensation Committee

The Appointments and Compensation Committee, appointed on 23 October 2017 in conformity with the applicable regulations and recommendations of the Code of Corporate Governance, is composed of three non-executive directors, all of whom are independent, or, alternatively the majority of whom are independent. In the latter case, the Chairman is chosen from the independent directors.

The Appointments and Compensation Committee has proposal-making and advisory functions with regard to the Board of Directors, in general on the functions specified by the Corporate Governance Code, and in particular:

Functions of the Appointments and Compensation Committee concerning the appointment of directors:

- it proposes to the Board of Directors candidates for the position of director, should the office of one or more directors be vacated during the year, ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the less represented gender;

- on the proposal of the Chief Executive Officer and in agreement with the Chairman, it submits to the Board of Directors candidates for membership of the corporate boards (i) of direct Subsidiaries; (ii) and of indirect Subsidiaries included in the scope of consolidation, whose turnover is individually equal to or above €30 million. The proposal made by the Committee is necessary;

- it prepares and proposes: procedures for the annual self-assessment of the Board of Directors and its Committees; opinions on the maximum number of offices as a director or statutory auditor held in other listed companies; criteria for assessing both the requirements of professionalism and independence of the Board of Directors members of the Company and its Subsidiaries; opinions to support the evaluation by the Board of Directors regarding specific problematic situations in the presence of a general and prior authorisation of derogations from the competition prohibition contained in article 2390 of the Italian Civil Code; opinions addressed to the Board of Directors regarding the size and composition of the same and makes recommendations regarding the professional and managerial figures whose presence on the Board of Directors is considered appropriate.

Functions of the Committee regarding the remuneration of the directors and executives with strategic responsibilities:

- it submits the Compensation Report and, in particular, the compensation policy for Directors and executives with strategic responsibilities, to the Board of Directors, for its approval and presentation to the Shareholders' meeting convened for the approval of the financial statements, under the terms provided for by law;

- it reviews the vote on the Compensation Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;

- it formulates proposals on the compensation of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;

- it makes proposals or expresses opinions concerning the compensation of members of the Board of Directors Committees;

- it expresses opinions, also on the basis of the indications of the Chief Executive Officer, with regard to:
    - the general criteria for the compensation of Executives with strategic responsibilities;
    - general guidelines for the compensation of other Executives of the Company and its Subsidiaries;
    - annual and long-term incentive plans, including share-based plans;
- it expresses opinions, also on the basis of the Chief Executive Officer's proposals regarding the definition of performance targets, the final accounting of company results; it proposes the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable compensation of directors with powers;
- it proposes the definition, in relation to directors with powers, of: i) the indemnification to be paid in the event of termination of their employment; ii) non-competition agreements;
- it monitors the application of decisions made by the Board of Directors; it periodically evaluates the adequacy, overall consistency and practical application of the policy adopted, using, in this regard, the information provided by the Chief Executive Officer, preparing proposals for the Board of Directors on this subject;
- it performs any duties that may be required by the procedure concerning related-party transactions carried out by the Company;
- it reports on the exercising of its functions to the Shareholders' Meeting convened to approve the separate financial statements for the year, through the Chairman of the Committee or another member delegated by the same.

The Appointments and Compensation Committee reports to the Board of Directors on the activities carried out, at least every six months and before the deadline for approval of the financial statements and the half-yearly report, at the Board of Directors meeting indicated by the Chairman of the Board of Directors; also subsequent to each meeting, it updates the Board of Directors with a communication, at the first possible meeting, regarding any comments, recommendations, or opinions they have formulated.

The composition of the Appointments and Compensation Committee is as follows:

Name	**Role**
Cinzia Farisè	Non-executive director – Chairman[(1)]
Maurizio Dainelli	Non-executive director
Federica Lolli	Non-executive director[(1)]

[(1)] Director fulfilling the independence requirements set out in Article 148, paragraph 3 of the TUF and in the Code of Corporate Governance approved by the Corporate Governance Committee.

At the time of the appointment, the Board of Directors has verified that at least one member of the Appointments and Compensation Committee has sufficient knowledge and experience of financial matters or remuneration policies.

Meetings of the Appointments and Compensation Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. In the event of a tie, the Chairman of the Appointments and Compensation Committee has the casting vote.

The Chairman of the Board of Statutory Auditors or a Standing Auditor designated by the latter can attend meetings of the Compensation Committee; upon invitation of the Appointments and Compensation Committee, other parties can also attend meetings to provide information and evaluations, at the request of the Chairman of the Appointments and Compensation Committee, with regard to individual items on the agenda.

Sustainability Committee

The Sustainability Committee, appointed on 5 September 2016 in conformity with the applicable regulations and recommendations of the Code of Corporate Governance, is made up of three non-executive directors, one of whom is independent.

The Sustainability Committee, aimed at the supervision of sustainability issues in connection with the exercise of business activities and its interaction dynamics with all the shareholders, carries out proposal and consultation functions with regard to the Board of Directors on matters of sustainability, understood as the processes, initiatives and activities intended to oversee the commitment of Italgas to sustainable development along the value chain.

Specifically, the Sustainability Committee:

- examines and evaluates:

  (i) the sustainability policies aimed at ensuring the creation of value over time for shareholders and for all other stakeholders in the medium-/long-term with regard to the principles of sustainable development;

  (ii) the guidelines, objectives and consequent processes, of sustainability and the sustainability reporting submitted annually to the Board of Directors;

- monitors the positioning of Italgas with regard to financial markets involving sustainability, with special reference to the placement of Italgas on the ethical sustainability indices;

- monitors national and international initiatives with regard to sustainability and the participation of Italgas in them, aimed at consolidating corporate reputation internationally;

- examines any sustainability initiatives in agreements submitted to the Board of Directors, also with regard to the subject of climate change;

- examines the profit and non-profit strategy, as well as gas advocacy of Italgas;

- expresses, at the request of the Board of Directors, an opinion on other questions regarding sustainability;

- following each of its meetings, the Sustainability Committee updates the Board of Directors, at its first meeting, with regard to the subjects dealt with and the observations, recommendations and opinions formulated; it also reports to the Board of Directors, at least every six months, no later than the deadline for the approval of the annual and interim financial reports, on the activities carried out, at the board meeting indicated by the Chairman of the Board of Directors.

The composition of the Sustainability Committee is as follows:

Name	Role
Nicola Bedin	Non-executive director – Chairman(1)
Yunpeng He	Non-executive director
Paolo Mosa	Non-executive director

(1) Director fulfilling the independence requirements set out in Article 148, paragraph 3 of the TUF and in the Code of Corpo-rate Governance approved by the Corporate Governance Committee.

Meetings of the Sustainability Committee are deemed to be valid if at least two members in office are present; the committee makes decisions based on a vote in favour by an absolute majority of the members in attendance. In the event of a tie, the Chairman of the Sustainability Committee has the casting vote.

The manager with responsibility for sustainability takes part in meetings of the Sustainability Committee. The Chairman of the Board of Directors, the CEO, the Chairman of the Board of Statutory Auditors and a Standing Auditor designated by the latter are invited to attend meetings. At the invitation of the Sustainability Committee, other parties can also attend meetings to provide information and evaluations with regard to individual items on the agenda.

Board of Statutory Auditors

Under Italian law, the role of the Board of Statutory Auditors is to oversee compliance with the law and with the By-laws, ensure the principles of correct administration are observed, monitor the adequacy of the Issuer's organisational structure for matters within the scope of its authority, the adequacy of its internal control system and of its administrative and accounting system and the reliability of the administrative and accounting system in correctly representing Italgas transactions, check the methods for specific implementation of the rules of corporate governance provided for by the codes of conduct drafted by regulated market management companies or by industry associations, which the Issuer publically discloses that it upholds, and to review the adequacy of Issuer's instructions to subsidiaries pursuant to applicable law.

Legislative Decree No. 39/2010 provides that the Board of Statutory Auditors also performs supervisory functions in its capacity as "Internal Control and Audit Committee", overseeing in particular:

- the financial reporting process;
- the effectiveness of internal control, internal audit and, if applicable, risk management systems;
- the independent audit of annual financial statements and consolidated financial statements; and
- the independence of the independent auditors or audit company, specifically insofar as the provision of services other than auditing to the entity being audited is concerned.

Current Members of the Board of Statutory Auditors

Pursuant to Article 20 of the existing by-laws of the Issuer, the Board of Directors of Italgas is composed of three standing auditors and two alternate auditors.

The Board of Statutory Auditors appointed by the ordinary shareholders' meeting of 4 August 2016 will remain in office for three financial years, until the date of the ordinary shareholders' meeting called for the approval of the 2018 financial statements.

The shareholders' meeting held on 28 April 2017 appointed Barbara Cavalieri as Alternate Auditor, to replace Marilena Cederna, who resigned from her office with immediate effect on 20 March 2017

Statutory auditors are chosen from among those who meet the professionalism and integrity requirements indicated in Decree of the Ministry of Justice No. 162 of 30 March 2000. For the purposes of this decree, the issues strictly related to the Issuer's activity are: commercial law, business administration and corporate finance. Likewise, the sector pertaining strictly to the Issuer's business is the engineering and geology sector.

At the date of this Base Prospectus, the Board of Statutory Auditors is composed of the following members:

Name	**Role**
Gian Piero Balducci	Standing Auditor, Chairman
Giandomenico Genta	Standing Auditor
Laura Zanetti	Standing Auditor
Barbara Cavalieri	Alternate Auditor
Walter Visco	Alternate Auditor

For the purposes of the above-mentioned positions, each member of the Board of Statutory Auditors is domiciled at the Issuer's registered office at Via Carlo Bo, 11, Milan, Italy.

Below is a brief *curriculum vitae* of each of the members of the Board of Statutory Auditors appointed by the above-mentioned Shareholders' Meeting of 4 August 2016, giving details of their skills and experience gained in business management.

Gian Piero Balducci (Chairman of the Board of Statutory Auditors). Born in Turin in 1961. He graduated in Economics and Business Studies from the University of Turin. From 1986 he worked as a tax and corporate adviser. From 1986 to 1989 he worked at the Turin offices of Arthur Andersen. In 1989 he joined Studio Palea, becoming a partner in 1993. He is often called upon as an expert witness in judicial proceedings for accounting and tax matters at the Civil and Criminal Court of Turin, and is a member of the Register. He is a member of the teaching profession of practising Tax Advisors for the Association of Certified Accountants of Turin, Ivrea and Pinerolo. In addition, he is currently a member of the Technical Scientific Committee of RSM PLG S.r.l. and part of the "International Relations" group and "l. 231/2001" group of the Association of Certified Accountants of Turin, Ivrea and Pinerolo. He is on the North West Territorial Technical Committee of UBS (Italia) S.p.A. He is on the Register of the Association of Certified Accountants of Turin and the Register of Statutory Auditors. He is the Chairman of the Board of Statutory Auditors and a Standing Auditor of companies operating in the fields of large-scale retail, asset management, pharmaceuticals and holding companies.

Giandomenico Genta (Standing Auditor). Born in Valdagno (VI) in 1957. He is an accountant who gained a degree in Economics and Business Management from the Universitas Mercatorum of Rome. He worked from 1984 as a freelancer and as owner of the Studio Amministrativo and Tributario Genta & Cappa with offices in Cuneo. Currently, among other things, he holds the post of Chairman of the Board of Statutory Auditors of the following companies: Finanziaria Sviluppo Impresa S.p.A. and Autostrade per l'Italia S.p.A. He is the Chairman of the Board of Directors of Satispay S.p.A. (an innovative start-up) and of the Fondazione Cassa di Risparmio di Cuneo. He is a member of the supervisory body of Ferrero Industriale Italia S.r.l. He also lectures as an adjunct professor at the University of Gastronomic Sciences. In addition, he

is an expert for the Scientific Disciplinary, Economics and Business Management Sector, Management Department of the University of Turin. He is a Registered Auditor and a Statutory Auditor. He is also on the register of court-appointed experts at the Chamber of Commerce, Industry, Agriculture and Artisanship of Cuneo, the Register of Technical Consultant of the Judge of the Court of Cuneo, the order of journalists in the list of publicists, as well as a member of the consultants of the Provincial Employment Department of Cuneo.

Laura Zanetti (Standing Auditor). Graduate with honors in Economics and Management from Bocconi University, where she is currently Associate Professor with tenure of Corporate Finance as well as Academic Director of the Bachelor of Economics and Finance. Previously she was a member of the executive council of the Department of Finance and the Director of the Master of Science in Finance at Bocconi University, Research Fellow of CAREFIN, Center for Applied Research in Finance, visiting scholar at both MIT (Massachusetts Institute of Technology) and the LSE (London School of Economics and Political Science). She is Certified Chartered Accountant, member of the European Corporate Governance Institute, board member and statutory auditor of leading listed companies. Author of several books and articles on corporate governance and business valuation.

Barbara Cavalieri (Alternate Auditor) Born in Rome in 1969, she gained a degree in Business Administration from the Ca' Foscari University of Venice and specialized in International Tax Law at the Sapienza University of Rome. She worked from 1994 as a freelancer and associate of the studio legale tributario Di Tanno e Associati. Currently she is a member of the Board of Statutory Auditors of the following companies: Thales Alenia Space Italia S.p.A., AnsaldoBreda S.p.A., Central SICAF S.p.A. She is a Certified Accountant, a Statutory Auditor and a Local Authority Auditor.

Walter Visco (Alternate Auditor). Born in Uzwill (Switzerland) in 1969. He graduated in Economics and Business Studies from the LUISS Guido Carli, in 1994. He has been on the register of the Association of Certified Accountants of Isernia since 1996 and has been a member of the board since 2013. He has been on the register of Statutory Auditors since 1999 and on the register of Local Authority Auditors since 2012. He is a court-appointed expert witness and receiver for the Court of Isernia. An expert in financial accountancy, municipality and province budgets and local authority personnel; he is an expert in extraordinary corporate transactions and the management and control of businesses and public authorities. He has held the post of Chairman of the Board of Statutory Auditors at C.S.S. Cooperativa Servizi Sanitari (non-profit organisation) from 2004 to 2008 and from 2008 to 2011. He has also been an alternate auditor at the Chamber of Commerce, Industry, Agriculture and Artisanship of Isernia from 2001 to 2005.

Principal Activities of the Statutory Auditors outside the Issuer's Group

Excluding the roles held at Italgas at the date of this Base Prospectus, the table below lists all the companies with share capital or partnerships in which members of the Board of Statutory Auditors of the Issuer are members of management, control or supervisory bodies, or holders of "qualified" equity investment (more than 3% in listed companies and 10% in unlisted companies), with details of the status of the office and/or the stake held at the date of this Base Prospectus.

Name	Company	Office/Stake held	Status of the office / stakeholding as at the of this Base Prospectus
Gian Piero Balducci	DMS Farmaceutici S.p.A.	Statutory Auditor	In office
	Comfactor – Commercio Factoring S.p.A.	Statutory Auditor	In office
	Sma S.p.A.	Alternate Auditor	In office
	Erregest S.p.A.	Statutory Auditor	In office
	Patrimonio Real Estate S.p.A.	Statutory Auditor	In office
	Magnolia S.p.A.	Chairman of the Board	In office

		of Statutory Auditors	
	Gallerie Commerciali Italia S.p.A.	Statutory Auditor	In office
	Auchan S.p.A.	Statutory Auditor	In office
	Galleria Cinisello S.r.l.	Statutory Auditor	In office
	DeA Capital Alternative Funds SGR S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Chronodrive Italia S.r.l.	Sole Statutory Auditor	In office
	OZ Digital S.p.A.	Sole Statutory Auditor	In office
	De Agostini S.p.A.	Statutory Auditor	In office
	B&D Finance S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Laboratorio Farmaceurico S.i.t.-Specialità igienico terapeutiche S.r.l.	Statutory Auditor	In office
	DeA Capital Real Estate SGR S.p.A.	Statutory Auditor	In office
	Praxi S.p.A.	Statutory Auditor	In office
	Suzuki Italia S.p.A.	Alternate Auditor	In office
	Flunch Italia S.r.l.	Sole Statutory Auditor	In office
	Desma Healthcare S.p.A.	Statutory Auditor	In office
	Desma Pharma S.p.A.	Statutory Auditor	In office
	Permicro S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Nobis Compagna di assicurazioni S.p.A.	Alternate Auditor	In office
	Isenior S.p.A.	Statutory Auditor	In office
	Blu Acquario Prima S.p.A.	Statutory Auditor	In office
	Picco S.a.s di Gian Piero Balducci	50% General Partner	In office
	La Rocca S.s.	Managing Partner	In office
	Experta Consulting S.r.l.	12% Partner	In office
	Tasman Investments S.s.	50% Managing Partner	In office
	Punto Lombardia S.p.A.	Statutory Auditor	In office
	Società Generale Distribuzione S.p.A.	Statutory Auditor	In office
	Acque Minerali S.r.l.	Chairman of the Board of Statutory Auditors	In office
	GALLERIE commerciali Sardegna S.r.l.	Statutory Auditor	In office
	Società SMA Sicilia S.r.l.	Sole Statutory Auditor	In office
	Morando S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Infratrasporti.To S.r.l.	Chairman of the Board of Statutory Auditors	In office
Giandomenico Genta	Finanziaria Sviluppo Impresa S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Autostrade per l'Italia S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Essediesse S.p.A.	Standing Auditor	In office
	Società Italiana per Azioni per il Traforo del Monte Bianco	Standing Auditor	In office
	Equiter S.p.A.	Director	In office
	R.A.V. Raccordo autostradale Valle d'Aosta S.p.A.	Standing Auditor	In office
	Fondazione Cassa di Risparmio di Cuneo	Chairman of the BoD	In office
	Satispay S.p.A.	Chairman of the BoD and Shareholder at	In office

		1.31%	
	Real Estate Asset Management sgr S.p.A.	Director	In office
	Ferrero Industriale Italia S.r.l.	Member of the Supervisory Body	In office
	Studio Amministrativo e Tributario Genta & Cappa	Shareholder at 50%	In office
	Sintesi S.r.l.	Shareholder at 50%	In office
Laura Zanetti	Italmobiliare S.p.A.	Chairman of the BoD	In office
	Maria Zanetti Non-Profit Foundation	Vice Chairman of the BoD	In office
	IN.CO.FIN S.p.A.	Director and 33.33% Shareholder	In office
	Prentice S.p.A.	Director and 33.33% Shareholder	In office
	Stella Italia S.r.l.	Sole Statutory Auditor	In office
	Inim S.p.A.	Statutory Auditor	In office
	Omni Re S.p.A.	Statutory Auditor	In office
	MULTIFIN S.p.A.	40% Shareholder	In office
Barbara Cavalieri	Thales Alenia Space Italia S.p.A.	Standing Auditor	In office
	Ansaldobreda S.p.A.	Standing Auditor	In office
	Central SICAF S.p.A.	Standing Auditor	In office
Walter Visco	Sopros S.p.A.	Auditor	In office

Conflicts of Interest

Except for what is stated below, there are no potential conflicts of interest between any duties of Italgas of the members of the Board of Directors, members of the Board of Statutory Auditors and Managers with Strategic Responsibilities of Italgas and their private interests and or other duties.

Lorenzo Bini Smaghi, Chairman of the Board of Directors of Italgas, is also Chairman of the Board of Directors of Société Générale S.A, one of the credit institutions with which the Issuer has signed two revolving credit lines on 28 October 2016.

Paolo Gallo, CEO and General Manager of Italgas, is also Chairman of the Board of Directors of Italgas Reti. As decided by the Board of Directors on 20 December 2016, the guidelines on the maximum number of offices a director or auditor can hold in other "*significant companies*" shall not apply for offices hold in companies belonging to the Italgas Group.

Maurizio Dainelli, member of the Board of Directors of Italgas, is also a manager at CDP.

Yunpeng He, member of the Board of Directors of Italgas, is also a member of the Board of Directors of CDP Reti and Snam.

Paolo Mosa, member of the Board of Directors of Italgas, is also a member of the Board of Directors of Snam Rete Gas S.p.A. and Chairman of the Board of Directors and CEO of Snam4Mobility S.p.A.

Laura Zanetti, members of the Board of Statutory Auditors of Italgas.

Antonio Paccioretti, General Manager Finance and Services, is also a member of the Board of Directors of Italgas Reti and the Chairman of the Board of Director of Medea.

Paolo Luigi Bacchetta is CEO of Italgas Reti.

Pier Lorenzo Dell'Orco, Senior Executive Vice President Commercial Development, is also a member of the Board of Directors of Seaside and Medea.

Nunziangelo Ferrulli, Executive Vice President Institutional Relations and Regulatory Affairs, is also a member of the Board of Directors of Ichnusa Gas and Italgas Acqua.

Raffaella Marcuccio, Executive Vice President Procurement and Material Management, is also a member of the Board of Medea.

Managers with Strategic Responsibilities

At the date of this Base Prospectus, Managers with Strategic Responsibilities of Italgas are listed below:

Name	Role
Antonio Paccioretti	General Manager Finance and Services
Bruno Burigana	Senior Executive Vice President Human Resources & Organization
Alessio Minutoli	Senior Executive Vice President Legal, Corporate and Compliance Affairs
Paolo Luigi Bacchetta	Chief Executive Officer of Italgas Reti
Pier Lorenzo Dell'Orco	Senior Executive Vice President Commercial Development
Nunziangelo Ferrulli	Executive Vice President Institutional Relations and Regulatory Affairs
Chiara Ganz	Executive Vice President External Relations and Communication
Raffaella Marcuccio	Executive Vice President Procurement and Material Management

For the purposes of the above-mentioned positions, all Managers with Strategic Responsibilities are domiciled at the Issuer's registered office at Via Carlo Bo, 11, Milan, Italy.

Below is a brief *curriculum vitae* of each of the Managers with Strategic Responsibilities, giving details of their skills and experience gained in business management.

Antonio Paccioretti (General Manager Finance and Services). After gaining a degree in Business Administration from Bocconi University of Milan in 1988, he commenced his career at Snam in the Administration, Finance and Control area, where he held managerial roles in different functions and with growing levels of responsibility, up until becoming Financial Manager in 2000. In this position he gained international experience while holding managerial roles in the associates in Germany, Switzerland, Austria, Tunisia and the Netherlands. In 2001, he supervised the various phases of the Snam Rete Gas listing process, which in that year was the largest IPO in Italy. In 2002, he moved to Eni, where he was head of the group Equity and Debt Capital Market activities until 2006. Among other things, he handled the take-over bid on Italgas shares in 2003, placement of the second tranche of Snam Rete Gas on the market in 2004 and other extraordinary finance transactions, including the sale of Eni's shareholding in Albacom, the sale of Snamprogetti to Saipem and various transactions in the bond market. In 2006, he was named CEO of Eni Coordination Center SA, headquartered in Brussels, where Eni's international financial activities are centralised. After returning to Snam as CFO in 2007, he contributed to putting into effect the group's strategy with the acquisition in Italy of Italgas and Stogit and abroad of shares in TIGF, TAG, Gas Connect Austria, Interconnector UK and TAP. In 2012, he supervised the refinancing of over €12 billion resulting from the change of Snam's control from Eni to CDP. In 2016, he handled the demerger of Italgas from Snam and listing the Company in the stock market. He took over the role of General Manager of Italgas with responsibility for the CFO, ICT, Investor Relations, Enterprise Risk Management, Development & M&A, Property & Facility Management, HSE and Vendor Management areas. He sits on the Board of Directors of Italgas Reti. He has

gained a wealth of knowledge of the stock and bond market, in addition to M&A and structured finance transactions in Italy and abroad, for the most part in the Oil & Gas and Utilities sectors.

Bruno Burigana (Senior Executive Vice President Human Resources & Organization). After receiving his degree in Economics and Business from Università Cattolica del Sacro Cuore in Milan, he started his professional career as a managerial and professional training expert at IRI and then, starting from 1992, at ENI. Over the following years, he held positions of increasing responsibility in the human resources department in the group's chemical sector until taking over personnel Management and Development responsibility at Syndial, where he handled problems such as closing plants, mobility and sale of business units. He also held the position of Manager during this period. Personnel, Organisation, Environment Company Quality Systems. At Snam since 2007 in the position of Resources Planning, Managerial Development and Compensation Manager, in 2009 he also oversaw the corporate reorganisation resulting from the integration of Italgas and Stogit. In 2010, he took over the role of Personnel Manager of the Snam group. He was appointed Head of Human Resources & Security of the Snam group in February 2012 where, among other things, he managed the group's reorganisation after leaving ENI. In July 2015, he joined Italgas as Head of Business Services and was appointed his current position when Italgas demerged from SNAM and was listed.

Alessio Minutoli (Senior Executive Vice President Legal, Corporate and Compliance Affairs). Born in Messina in 1973, he graduated in Law from the University of Messina and qualified as a lawyer in 2000. In 2002 he gained a Master in Tax Law. In 2003, after working at the legal practice of Gianni, Origoni, Grippo & Partners, he started working within the legal department of the Exploration & Production Division of Eni S.p.A. In 2010 he joined Snam Rete Gas as Head of Legal Distribution and in July 2011 he became Head of the Legal Division for Gas Transportation. In December 2011 he was appointed Head of the Legal Division of Snam Rete Gas. Between April 2013 and October 2016 he was Head of Legal, Business and Commercial Affairs of Snam. Between May 2014 and May 2018 he was a member of the Board of Directors of Acam Gas S.p.A. Between December 2016 and September 2017 he was also a member of the Board of Directors of Napoletanagas S.p.A. From 2015 he has been on the board of management of the Associazione Nazionale Industriali Gas (Anigas).

Paolo Luigi Bacchetta (Manager of Italgas and Chief Executive Officer of Italgas Reti). A graduate in Hydraulic Engineering from the University of Pavia, he began his career in Snam S.p.A. in May 1985 in the technical service of gas transportation, handling permits for the construction of pipelines. In 1987, he began working in the area of operation and maintenance of the transport network before being appointed head of Emilia Romagna area, ensuring the construction and operation of gas pipelines and gas sales. In January 1994 he became involved in the construction of transmission pipelines. In July 2001 he was appointed Director of Construction. In this position, his main achievements were the doubling of imports from Northern Europe, imports from Libya and the start of a tripling of imports from Algeria and Russia. In 2005 he was appointed Director of Procurement and Logistics at Snam Rete Gas S.p.A. In December 2006, he moved to Italgas as General Manager of Business Operations. He reorganized the activities and processes leading to a significant improvement in the safety, efficiency and quality indices. During the period of integration of the companies within the Snam Rete Gas Group, he was put in charge of Project Operations with the aim of identifying synergies in order to improve the operational efficiency of the new Group. He has been responsible for natural gas storage since January 2010. He was Chief Executive Officer of Stogit S.p.A. from April 2010 to September 2016. He became Chief Executive Office of Italgas Reti S.p.A. from September 2016.

Pier Lorenzo Dell'Orco (Senior Executive Vice President Commercial Development). He took his degree in Mechanical Engineer in Rome, Universita la Sapienza in 1994. Since the following year, he has been working in the energy sector where over the years he has gained technical and commercial experience with roles of growing responsibility. He obtained solid technical skills in the early years of his professional career at several of the top Italian utilities, as Project Manager at Edison S.p.A. from 1995 to 2004 and afterwards, until 2007, as Engineering Department Manager at Edipower S.p.A. In 2008, he joined Sorgenia S.p.A., first as Business Development Manager, experience that then led him inside the company's business department, where over the span of six years he took over the responsibilities of Head of Customer Management, then Head of Sales & Marketing and, lastly, Head of Commercial Operations & ICT. He joined Italgas S.p.A. in December 2016 with the role of Partnership Development Manager and contributed toward starting up a pipeline of corporate acquisitions in the gas distribution sector and promoting development of new businesses, in line with the corporate diversification goals such as, for example, the group's entry into the energy efficiency sector. He has been a member of the Board of Directors of the Italgas group-controlled companies Mediterranea Energia e Ambiente S.p.A. and Seaside S.r.l. since the beginning of 2018. Starting in May 2018 he has taken over the responsibility of Head of Commercial Development, reporting directly to the CEO of Italgas S.p.A.

Nunziangelo Ferrulli (Executive Vice President Institutional Relations and Regulatory Affairs). He took his degree from the Law faculty of "La Sapienza" University in Rome. He began his professional career at Edison spa, where he handled relations with the Italian Parliament. During his stay in Brussels, he also supervised relations with the European Parliament. During this period, he was also the Italian representative in the Energy Community, an international body with offices in Vienna that sees to the harmonisation of European policies and South-East Europe on the question of energy and gas. In 2012, he arrived at Acea in the position of International Regulation Manager. Thanks to this role, he also held several offices in international associations such as EurEau (European Association of Europe's Drinking Water and Waste Water Service Operators) and CEEP (European Centre of Employers and Enterprises Providing Public Services). He was also Executive Assistant of the CEO at ACEA. In 2014, he joined Philip Morris Italia as Corporate Affairs Manager, following regulation in the tobacco sector and relations with stakeholders in the sectors of the company's interest. He later held the office of Institutional and Regulatory Relations Manager at Grandi Stazioni spa, where he managed relations with the national institutions and the Transportation Regulation Authority in view of privatisation.

Chiara Ganz (Executive Vice President External Relations and Communication). She gained her Economics degree from University of Bologna. She began her career at the communication and consulting firm Sircana&Partners. In 2001, she joined the Global Relationship Banking Department of Banca IntesaBCI, where she collaborated to support the development and advisory team of large projects funded in the finance project. She continued her experience at Poste Italiane, working in the Enterprises and Bodies Division - Sales and Marketing Network. In 2003, she joined the External Relations and Communication Department of Finmeccanica - today Leonardo - where she handled External Communication and Image and particularly followed the project to design the new Finmeccanica trademark and restyle the group's architecture brand and, in coordination with the different company functions, that of listing Ansaldo STS. In 2009, she was named manager of External Relations and Communication of Thales Alenia Space Italia, a Thales/Leonardo-Finmeccanica joint venture. She was Communication Manager of Telespazio - a Leonardo Finmeccanica/Thales joint venture - from 2013 until 2016, and here she consolidated her experience by supervising all Communication areas and coordinating the activities of the Italian and international group subsidiaries.

Raffaella Marcuccio (Executive Vice President Procurement and Material Management). She took her degree in Material Engineering from University of Lecce in 1997 after writing an experimental thesis on applications of thermography and ultrasound at the University of Nottingham. Following a brief experience at CNR (Italian National Research Council), she started her career in the Fiat group in 1998 as a young engineer in an inter-functional path that led her to hold several roles from Production in the Assembly Line to Services, at the Fiat Auto Contact Centre, arriving at purchasing with the role of Program Manager on a localisation project in Nanjing, China. This was where she began her professional growth in the Fiat Group Purchasing function, and where she grew as Commodity Manager in the Auto and Powertrain area, afterwards Manager of Purchasing Product Development on Segment B (following the development of the Grande Punto and the Alfa Mito), up to taking over the role of Commodity & Logistic Director at the Fiat Global Purchasing Office of Shanghai for 5 years starting in 2007, seizing purchasing opportunities from Best Cost Countries for the entire Fiat group. In 2012, she moved to Indesit, a leading Italian company in the household appliance sector, again in the Procurement area as Raw Material and Plastic & Metals Components Director. Following Indesit's acquisition in January 2015 by the US company Whirlpool, she was assigned the role of Global Steel and Resins Directors, with the responsibility of purchasing steel and plastic raw materials on a global scale.

Excluding the roles held at Italgas at the date of this Base Prospectus, the table below lists all the companies with share capital or partnerships in which Managers with Strategic Responsibilities are members of management, control or supervisory bodies, or holders of "qualified" equity investment (more than 3% in listed companies and 10% in unlisted companies), with details of the status of the office and/or the stake held at the date of this Base Prospectus.

Name	Company	Office/Stake held	Status of the office / stakeholding as at the of this Base Prospectus
Antonio Paccioretti	Italgas Reti	Director	In office
	Medea	Chairman of the BoD	In office
Paolo Lugi Bacchetta	Italgas Reti	Chief Executive Officer	In office
Pier Lorenzo Dell'Orco	Medea	Director	In office
	Seaside	Director	In office
Nunziangelo Ferrulli	Ichnusa Gas	Director	In office
	Italgas Acqua	Director	In office
Raffaella Marcuccio	Medea	Director	In office

Service Agreements

Prior to the demerger from Snam, certain internal functions of the Italgas Group were carried out by the latter.

As of today, the services that are expected to continue are IT services up to December 2018.

Italgas and Italgas Reti, in turn, provide services to other Italgas Group companies.

Independent Auditors

On 4 August 2016, the Shareholders' Meeting of the Issuer appointed EY S.p.A. as independent auditors of the Issuer for the nine-year period 2016-2024.

EY S.p.A. is a member of ASSIREVI, the Italian association of auditing firms, is authorised and regulated by the Italian ministry of Economy and Finance (**MEF**) and registered on the special register of auditing firms held by the MEF. The registered office of EY S.p.A. is at Via Po 32, Rome, 00198, Italy.

On 28 April 2017, the Shareholders' Meeting of the Issuer, inter alia, approved: (a) the consensual resolution of the statutory audit assignment granted to Ernst & Young and (b) the assignment of the statutory audit for nine years, namely for the years ended 31 December 2017 to 2025, to PricewaterhouseCoopers (the **Independent Auditors**).

PricewaterhouseCoopers S.p.A. is a member of ASSIREVI, the Italian association of auditing firms.

PricewaterhouseCoopers S.p.A. is authorised and regulated by the MEF and registered on the special register of auditing firms held by the MEF.

The registered office of PricewaterhouseCoopers S.p.A. is at Viale Monte Rosa 91, Milan, 20149, Italy.

GLOSSARY OF TERMS AND LEGISLATION RELATING TO THE ISSUER

ARERA means the Italian Regulatory Authority for Energy, Networks and Enviroment (Autorità di Regolazione, Energia, Reti e Ambiente), formerly known as Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico (**AEEGSI**).

ARERA 2018 Report means the ARERA's 2018 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull'attività svolta)* dated 31 March 2018.

ATEMs means the minimum geographical areas (*ambiti territoriali minimi*) for conducting tenders and assigning the gas distribution service calculated as 177 pursuant to the definition of Article 1 of the Ministerial Decree of 19 January 2011. The Municipalities belonging to each area are listed in the Ministerial Decree of 18 October 2011.

CDP means Cassa Depositi e Prestiti S.p.A.

CDP RETI means CDP RETI S.p.A.

Centralised RAB means the centralised net invested capital made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses).

Code of Corporate Governance (*Codice di Autodisciplina*) means the Code of Corporate Governance of listed companies approved by the Committee for Corporate Governance established by, among others, Borsa Italiana S.p.A.

Decree 273/2005 means the Law Decree No. 273 dated 30 December 2005, converted into Law No. 51 dated 23 February 2006 (*Proroga di termini relativi all'esercizio di deleghe legislative*).

Decree 93/2011 means the Legislative Decree No. 93 dated 1 June 2011 (*Mercato interno dell'energia elettrica, del gas naturale*).

Decree 164/2000 means the Legislative Decree No. 164 dated 23 May 2000 (*Attuazione della direttiva n. 98/30/CE recante norme comuni per il mercato interno del gas naturale).*

Decree for Determining Municipalities for each Area means the ministerial decree dated 18 October 2011 (*Determinazione dei Comuni appartenenti a ciascun ambito territoriale del settore della distribuzione del gas naturale*).

Decree protecting employment levels means the ministerial decree dated 21 April 2011 (Disposizioni per governare gli effetti sociali connessi ai nuovi affidamenti delle concessioni di distribuzione del gas).

Equity RAB means RAB net of Net financial debt.

First Gas Directive means the Directive 98/30/EC of the European Parliament and of the Council of 22 June 1998, concerning common rules for the transportation, distribution, supply and storage of natural gas.

Guidelines means the guidelines on criteria and operating procedures for evaluating the reimbursement provided for by the Ministry of Economic Development in connection with a document dated 7 April 2014 and approved with the Ministerial Decree of 22 May 2014.

Italgas Group means, collectively, Italgas and the companies directly or indirectly controlled by it, pursuant to Article 2359 of the Civil Code and Article 93 of Legislative Decree No. 58 of 24 February 1998, as later amended and supplemented (the **TUF**).

Law 481/95 means the Law No. 481 dated 14 November 1995 (Norme per la concorrenza e la regolazione dei servizi di pubblica utilità. Istituzione delle Autorità di regolazione dei servizi di pubblica utilità).

Letta Decree means the Legislative Decree No. 164 dated 23 May 2000 (*Norme comuni per il mercato interno del gas naturale*).

Local Net Invested Capital for the distribution service includes the following types of tangible fixed assets: land on which there are industrial facilities, industrial facilities, primary and secondary equipment, street conduits and branch-off equipment (junctions). Local Net Invested Capital relating to the metering service includes the following types of tangible fixed assets: traditional metering units and electronic metering units.

Local RAB means the Local Net Invested Capital relating to the distribution service made up of the following types of tangible fixed assets: land on which there are industrial facilities, industrial facilities, primary and secondary equipment, street conduits and branch-off equipment (junctions). Local Net Invested Capital relating to the metering service is made up of the following types of tangible fixed assets: traditional metering units and electronic metering units.

Local Tender Process means each tender process for the provision of gas distribution services held in each of the 177 minimum geographical areas (ATEM) identified pursuant to Articles 1 and 2 of the Decree of the Ministry of Economic Development of 19 January 2011.

Marzano Law means the Law No. 239 dated 23 August 2004 (Riordino del settore energetico, nonché delega al Governo per il riassetto delle disposizioni vigenti in materia di energia).

MD 226 or **Tender Criteria Decree** means the Ministerial Decree on bid evaluation and auction criteria No. 226 dated 12 November 2011 (Regolamento per i criteri di gara e per la valutazione dell'offerta per l'affidamento del servizio della distribuzione del gas naturale).

Multi-municipality Areas Decree means the ministerial decree dated 19 January 2011 (Determinazione degli ambiti territoriali nel settore della distribuzione del gas naturale).

Network Codes means documents that set out, for each type of service, the rules governing the rights and obligations of the parties involved in the process of providing those services, and that establish contractual clauses to reduce the risk of non-compliance by customers, approved through the ARERA at the proposal of the service provider.

NRA means the National Regulatory Authority.

RAB means the value of net invested capital for regulatory purposes, calculated based on the rules defined by the ARERA in order to determine the benchmark revenues for the regulated businesses (ARERA Resolutions 514/2013/R/gas and 575/2017/R/gas for the gas transportation business, ARERA Resolution 438/2013/R/gas and 653/2017/R/gas for the gas regasification business, ARERA Resolution 531/2014/R/gas for the gas storage business, ARERA Resolutions 573/2013/R/gas, 367/2014/R/gas and 775/2016/R/gas for the gas distribution business).

Reimbursement Value means the amount owed to outgoing operators on the termination of the service pursuant to Article 5 of MD 226 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when MD 226 came into force).

Second Gas Directive means the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning the internal market of natural gas.

Shipper or **User** means, for the gas transportation business, pursuant to ARERA Resolution 514/2013/R/gas, the Shipper or User is the user of the gas system that acquires the transportation capacity for their own use or to sell it to others.

Third Energy Package means the set of European Regulations and Directives concerning the internal energy market and providing measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

Third Gas Directive means the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas.

Trader: pursuant to the "*Conditions for the sale and exchange of natural gas at the Point of Virtual Exchange*" approved with the ARERA Decision no. 436/2015/R/Gas, a Trader is a subject different from: (i) a holder of a transport contract, (ii) the Manager of Energy Markets, and (iii) a manager of a regulatory market (stock exchange) in which derivative financial instruments are traded that provide for the physical delivery and whose compensation and guarantee activities are regulated through a clearing house that - for the purpose of operating on the point of virtual exchange - signs the access contract and commits itself under the conditions and provisions contained in the Network Code, including the relevant provision on financial guarantees.

Unbundling Regulation means the rules set out by the Second Gas Directive on unbundling and transparency of accounts and the corporate, functional and organisational unbundling of operators of gas transmission and distribution systems in vertically integrated groups.

VIR means "*Valore Industriale Residuo*", *i.e.* the residual industrial value of the part of the plant owned by the outgoing operator, which is equal to the cost that should be incurred for its reconstruction as new reduced by the value of the physical degradation and also including non-current assets under construction from the accounting records (Article 5, paragraph 5 of MD 226).

REGULATORY AND LEGISLATIVE FRAMEWORK

The liberalisation process of the energy market launched in Europe has been phased in over a decade with the adoption of different legislative packages which have gradually been incorporated into the legislation of the EU Member States. The natural gas industry has been – and still is – subject to significant regulation both at European Union and national levels.

Historical Background

The First Gas Directive

Directive 98/30/EC (**First Gas Directive**) defined common rules for the transportation, distribution, supply and storage of natural gas.

The First Gas Directive was implemented in Italy in May 2000 through the Legislative Decree No. 164/2000 (known as the **Letta Decree**) which identifies and defines the sectors making up the natural gas market (import, production, transportation, dispatching, storage, liquefied natural gas (**LNG**) regasification, distribution and sales) and sets out the regulatory principles with regard to liberalisation, unbundling, network access and transparency.

The Letta Decree assigns certain roles and responsibilities to the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) (**MED**) and the ARERA.

The MED is responsible for defining strategic guidelines for the gas sector and ensuring its safety and economic development. The ARERA, an independent regulatory body, is responsible for the regulation of the national electricity and natural gas markets. Its responsibilities include the definition of criteria for determining and updating tariffs and for governing access to infrastructure, as well as the provision of services related to the distribution of LNG.

In 2003, Directive 2003/55/EC (**Second Gas Directive**) – the second directive on the internal market for natural gas – was issued repealing the First Gas Directive. In Italy, Law No. 239/2004 ("*Reform of the energy sector and delegation to the Government for the reorganisation of the existing provisions relating to energy*", known as the **Marzano Law**) implemented some of the provisions of the Second Gas Directive.

Third Energy Package

In July 2009, the "Third Energy Package" was approved in the European Union with a view to completing the internal energy market and providing a series of measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

Among other items, with specific regard to unbundling, Directive 2009/73/EC (**Third Gas Directive**), comprised in the Third Energy Package, provides that EU Member States shall implement measures to ensure the "effective separation" of energy networks from the production and supply activities.

The Third Gas Directive was implemented in Italy with Legislative Decree No. 93/2011 on the "*National natural gas and electricity market*" (*Mercato interno dell'energia elettrica e del gas naturale*) (the **Decree 93/2011**), which impacts on all business sectors of the Issuer and, in terms of unbundling, envisages, among other things, that the main Italian gas transportation company shall (i) comply with the ITO (*Independent Transport Operator*) model as well as (ii) be certified by the NRA and, consequently, approved and designated as a Transmission System Operator (**TSO**) by the MED.

Principal Legislation regarding regulation of the Issuer

The gas market in Italy is controlled and monitored by the ARERA which was established by Law No. 481/1995 (**Law 481/95**). The main tasks of the ARERA, as set out in Law 481/95, are to guarantee the promotion of competition and efficiency while ensuring adequate service quality standards in the electricity and gas sectors. These goals are achieved by ensuring a uniform availability and distribution of services throughout the country, by establishing a transparent and reliable tariff system based on pre-defined criteria and by promoting the interests of users and consumers, taking into account specific European legislation in such sector and general political guidelines of the Italian government. The tariff system is required to reconcile the economic and financial goals of electricity and gas operators with general social goals, and with environmental protection and the efficient use of resources.

Legislation regarding Distribution of natural gas

The Letta Decree – as subsequently amended and modified – redefined the concept of distribution, by unbundling it from sales, transportation and dispatching, storage and LNG regasification activities and qualifying it as a public service. As a result, distribution means the transportation of natural gas from injection points connected to the transportation network through local pipelines for delivery to users. Until the entry into force of the new applicable legislative framework as of 2011 (as better explained below) distribution was carried out under a concessionary regime, whereby natural gas distribution licences were granted by local authorities (such as municipalities (*Comuni*), joint municipalities (*Unioni di Comuni*) and mountain municipalities (*Comunità Montane*)) through tender procedures for terms of up to 12 years. Limited liabilities companies, including publicly-held companies and limited liability co-operative companies, did submit bids in accordance with Article 14 of the Letta Decree, while adjudication was conditional upon the "best economic conditions and service levels, quality and safety levels, investment plans for the development and upgrade of networks and facilities, for their renewal and maintenance, and technological and managerial innovation, submitted by competing companies". Once distribution concessions were granted, relations between the local authority and the operator were governed by service agreements, based on a master agreement to be approved by the ARERA, which include the duration of, and procedures for, the performance of the service.

The relevant local authority had to initiate a new tender procedure at least one year prior to expiry of the applicable concession period. Upon the expiry of such period, networks, facilities, and any transferable equipment were returned to the local authority in consideration for an indemnity payment. The amount of such indemnity payment will be calculated on the basis of what has been established in the agreements and in the call for tender or, if this cannot be done, based on the criteria in Italian Royal Decree No. 2578/1925 (industrial value criterion). In several cases, there was a dispute between the parties regarding the quantification of the indemnity and the related assessment were assigned to an arbitrators panel.

According to Letta Decree (as subsequently amended), all distribution concessions which were active as of 21 June 2000 awarded without a public tender, shall terminate at the end of the so-called Transitory Period (except if their natural expiry date occurs before such date). The duration of the Transitory Period was originally equal to five years (i.e. until 31 December, 2005) (the **Transitory Period**). According to Article 1, paragraph 69, of Marzano Law, the Transitory Period was postponed to 31 December 2007. However, the Transitory Period may be further extended if certain conditions are met (i.e. (i) for public interest reasons and (ii) in case of fulfilment of the conditions set out under Article 15, paragraph 7, of the Letta Decree). See "*Gas Distribution Concessions*".

The concessions active as of 21 June 2000, awarded by means of a tender procedure, shall terminate at their natural expiry date but, in any case, not later than 31 December 2012.

With respect to the automatic extension granted under Article 23, paragraph 1, of Decree No. 273/2005, the European Union Court of Justice (17 July 2008, C-347/06) ruled that the same is in compliance with the European Union Treaty *provided that* the extension is necessary in order to allow the parties to terminate the

concession under acceptable conditions considering both the public services needs and the economic consequences of the termination on the parties.

The transitional rules introduced by the Letta Decree allowed local authorities to adopt resolutions necessary to adapt to the new concession regime, through a call for tenders for the grant of the service and transformation of current management companies into limited liability companies or limited liability co-operative companies.

In 2011, the applicable legislative framework in the field of gas distribution was redefined as follows:

Ministerial Decree to determine the geographical areas in the natural gas distribution sector (Multi-municipality Areas Decree)

The first of four ministerial decrees on natural gas distribution reforms was published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 31 March 2011.

More specifically, the Multi-municipality Areas Decree, which were issued by the MED in collaboration with the Ministry for Regional Relations and National Cohesion (*Ministro per i Rapporti con le Regioni e per la Coesione Territoriale*) on 19 January 2011, establishes multi-municipality minimum geographical areas (known as ATEMs) for which new gas distribution concessions must be assigned.

The Multi-municipality Areas Decree identifies 177 ATEMs relating to provinces, or divided provinces in the case of the most populous ones or large towns and cities. Several neighbouring ATEMs may combine if they wish to do so. In particular, the Italian territory shall be subdivided into 177 ATEMs and each ATEM will include the territory of a maximum of 50 municipalities, *provided that* it will serve at least 50,000 users (up to a maximum of 300,000 users). In general, an ATEM represent the territory of a Province.

The subsequent Decree 93/2011 established that:

- local authorities which, on the date Decree 93/2011 came into force, in the case of an open tender, published notices of invitations to tender, or, in case of restricted tender processes, also asked for letters of invitation, in both cases including the definition of the bid evaluation criteria and the redemption value to the outgoing operator and had not awarded the winning firm, can proceed with entrusting the natural gas distribution service in accordance with the procedures applicable on the date of the call to tender; and

- otherwise, starting from that date, the tenders for entrusting the service will be carried out exclusively for the provinces identified by the Multi-municipality Areas Decree.

Ministerial decree to protect jobs in case of change of gas distribution operator (Decree protecting employment levels)

The Decree protecting employment levels, adopted by the MED in conjunction with the Ministry of Work and Social Policy (*Ministero del Lavoro e delle Politiche Sociali*) on 21 April 2011 and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 4 May 2011, regulates the social effects associated with the granting of new gas distribution concessions.

The provisions include the obligation, for the incoming operator, to hire the personnel of the outgoing operator for the running of gas distribution plants and a quota of the personnel in charge with territorial and central functions.

However, in order to avoid opportunistic behaviour by the outgoing operator and obstacles put in the way of operating efficiency, the obligation to hire the staff is limited to a number of employees that is less than a reference value.

Ministerial decree for identifying Municipalities which are part of each of the 177 multi-municipality minimum geographical areas (Decree for Determining Municipalities for each Area)

The Decree for Determining Municipalities for each Area, adopted by the MED in conjunction with the Ministry for Regional Relations and National Cohesion (*Ministro per i Rapporti con le Regioni e per la Coesione Territoriale*) on 18 October 2011 and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 28 October 2011, defines the list of Municipalities belonging to each geographical area of the natural gas distribution sector.

Moreover, when supplying the list of Municipalities, in addition to the name of the Area, indicated in Annex 1 of the Multi-municipality Area Decree, the Decree for Determining Municipalities for each Area also adds a geographic characterisation, if absent, to facilitate identification.

Ministerial decree for identifying criteria through which area tenders will be held and awarded (Tender Criteria Decree)

The Tender Criteria Decree, adopted by the MED in conjunction with the Ministry for Regional Relations and National Cohesion (*Ministro per i Rapporti con le Regioni e per la Coesione Territoriale*) on 12 November 2011 and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 27 January 2012, contains provisions regarding the requirements for participation, bid evaluation criteria, the compensation figure to pay to the outgoing operator, as well as the "type of call to tender".

The amount of payment to holders of concessions and licences, when the applicable transition period expires, will be calculated on the basis of what has been established in the agreements or, if this cannot be done, based on the criteria in Royal Decree No. 2578/1925 (industrial value criterion). In case of a dispute, the outgoing operator will be paid the higher value between the value of net fixed assets of locality ("*immobilizzazioni nette di località*") of the distribution service, including construction in progress, net of public or private contributions, calculated using the methodology of the current tariff adjustment and on the basis of the consistency of the plants at the time of their transfer and the value estimated by the local authority, with possible adjustments after the dispute has been resolved. The incoming operator will acquire ownership of the system by paying the outgoing operator the redemption value, with the exception of any assets owned by the local municipality.

Tenders will be awarded based on the most economically advantageous offer with regard to the following criteria:

- economic conditions;
- security of the service;
- quality of service; and
- development of the distribution system.

As a consequence of the above mentioned law provisions, the tender procedures for the awarding of new gas distribution concessions should commence once certain conditions provided by the Tender Criteria Decree have been met and within the time period (which differ from region to region) set out in Annex 1 of the Tender Criteria Decree.

By a Ministerial Decree dated 5 February 2013 a master service agreement for the distribution of natural gas was approved in compliance with the provisions of Article 14 of Legislative Decree No. 164 of 23 May 2000.

In particular, such master service agreement covers in detail all aspects of the concessionary regime, the mutual obligations of the parties, the duration of the agreement – determined in twelve years, the termination provisions, and provides that the outgoing operator transfers the ownership of its plants to the incoming operator upon payment by this latter of the compensation figure provided for under Article 14, paragraph 8 of the Letta Decree.

Legislative Decree No. 69 of 21 June 2013 (Decreto del Fare)

Article 4 of Legislative Decree No. 69 of 21 June 2013, known as the "*Decreto del fare*" contains, among other things, provisions regarding concessions for gas distribution. It provides that the time limits introduced by Article 3 of the Tender Criteria Decree regarding selection of a body tasked with overseeing the tender process and the issue of tender bids are definitive and, if they are not met, the relevant region (*Regione*) must launch the tender bid by nominating a *commissario ad acta*. If the region fails to act, the Ministry of Economic Development shall do so and shall nominate a *commissario ad acta*. In addition, the local body in breach of the relevant regulations can be given a fine and other sanctions described in the decree.

The *Decreto del fare* also contains provisions regarding valuation of the compensation figure for gas distribution network and plant and provides that the Ministry of Economic Development may issue specific guidelines regarding the methods and criteria of such valuation.

Law Decree No. 145/2013

Law Decree No.145/2013 has been converted into law with amendments by Law No. 9/2014. In particular, Law Decree No. 145/2013 as converted provides that:

(a) the redemption value recognised for outgoing gas distribution operators during the transitional period, if not possible to ascertain from the intention of the parties (and therefore from the contractual provisions of the concessions), must be determined in accordance with the guidelines concerning the metrics and modalities for the recognition of the redemption value that the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) may issue pursuant to Article 4, paragraph 6, of Law Decree 69/2013 as converted, with amendments, by Law No. 98/2013;

(b) from the redemption amount will be deducted private contributions related to local assets, evaluated according to the methodology of current tariff regulation; and

(c) if the redemption value exceeds by more than 10% of the value of local fixed assets computed on the basis of the applicable tariff regulations (net of public contribution for capital account and private contributions related to local assets), a certain procedure (involving also the ARERA) must be followed.

On 6 June 2014 the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) published in the Official Gazette No. 129 the guidelines concerning the metrics and modalities for the recognition of the redemption value of gas distribution networks.

Law Decree No. 91/2014

Law Decree No. 91/2014 (*Decreto competitività*) has been converted into law with amendments by Law No. 116/2014. By modifying Article 15, paragraph 5, of the "Letta Decree" (Legislative Decree No. 164/2000), such Law Decree states that, during the transitional period, in order to calculate the reimbursement amount due to the outgoing distributor reference shall be made to the existing contracts between municipalities and gas distribution companies, *provided that* such contracts have been entered into on or before 11 February 2012 (date of the entry into force of the Tender Criteria Decree, see paragraph "*Ministerial decree for identifying criteria through which area tenders will be held and awarded (Tender Criteria Decree)*" above). As for the contracts between a gas distribution company and the relevant municipality entered into after 12

February 2012, the reimbursement shall be calculated according the guidelines set out by a Ministerial Decree of 22 May 2014.

Law Decree No. 192/2014

On 28 February 2015, the Italian Official Gazette, General Series No. 49, published Law 11/15 converting into Law Decree 192 of 31 December 2014 (the so-called "*Mille Proroghe Decree*") which, among other things, introduces an additional amendment to deadlines already set out and extended several times for calls for tenders for gas distribution concessions, stipulating, *inter alia*, that:

- the deadline for publication of the call for tenders by the contracting entity and for alternative measures by the region will be extended until 11 July 2015 for the area pertaining to the first group listed under annex 1 to MD 226; and

- the deadline beyond which a penalty applies to local authorities pursuant to Article 4, paragraph 5 of Decree Law 69/2013 in the event of failure to comply with the deadline for issuing calls for tenders shall be extended to 31 December 2015 for the first two groups of areas listed under annex 1 of MD 226.

Ministerial decree No. 106/2015 modifying the Tender Criteria Decree

The decree adopted by the MED in conjunction with the Ministry for Regional Affairs and Local Governments (*Ministro per gli Affari Regionali e Autonomie*) on 20 May 2015 and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 14 July 2015, introduces amendments to the Tender Criteria Decree (i.e. MD 226).

In particular, the amendments consist in: adjusting the text of the original decree in order to reflect the legislative changes occured so far and the fourth regulatory period's tariff framework; defining operational procedures to be followed regarding tender criteria on energy efficiency investments in each multi-municipality geographical area; clarifying the rules to be followed in order to calculate the redemption value due to the outgoing distributor operator, previously set out by the Ministerial Decree adopted on 22 May 2014 and published in the Official Gazette No. 129 on 6 June 2014.

Law Decree No. 210/2015

On 26 February 2016, the Italian Official Gazette, General Series No. 47 published Law No. 21/2016 converting into Law Decree n. 210/2015. According to Article 3, paragraph 2-bis, of Law Decree No. 210/2015, the deadline for publication of the call for tenders for gas distribution concessions is postponed. The term of the postponement (12, 14, 13, 9 or 5 months) diverges with regard to each group listed under annex 1 to MD 226.

Article 3, paragraph 2-ter, of Law Decree No. 210/2015 amends Article 4 of the Legislative Decree No. 69 of 21 June 2013. The paragraph prescribes that the region has to attend a further period of six months before proceeding with the launch of the tender by nominating a *commissario ad acta*. In case the region does not proceed within the aforementioned period of six months, the Ministry of Economic Development, after a period of two months, shall launch the tender by nominating a *commissario ad acta*. In addition, the fine and other penalties for the local body in case of delay in launching the tenders, previously provided by the same Legislative Decree No. 69 of 21 June 2013, are deleted.

Law Decree No. 244/2016

On 28 February 2017, the Italian Official Gazette, General Series No. 49, published Law No. 19/2017 converting into Law Decree n. 244/2016. According to Article 6, paragraph 5, of Law Decree No. 244/2016, the deadline for publication of the call for tenders for gas distribution concessions is postponed for 24

months in 9 ATEMs of Marche, Umbria, Abruzzo e Lazio, where there are municipalities affected by the earthquakes of August and October 2016.

Law No. 124/2017 (Legge annuale per il mercato e la concorrenza)

On 14 August 2017, Law No. 124/2017 was published on the Italian Official Gazette. In such Law, Article 1 paragraphs 93, 94 and 95 introduce some minor amendments and clarifications to the legislation concerning the procedures for tenders for the awarding of gas distribution concessions. Such modifications may be summarized as follows.

- Article 1, paragraph 93 establishes that the awarding authority is no longer obliged to send to ARERA the detailed evaluation of the difference in value between VIR and RAB prior to the tender, provided that the awarding authority is able to certify, even through a competent third party, that the termination value has been calculated by applying the guidelines set out under Ministerial Decree 22/5/2014 and that the overall difference between VIR and RAB within the minimum geographical area is not greater than 8%, provided that such difference in each single municipality does not exceed 20%.

- According to Article 1, paragraph 94, ARERA shall define a simplified procedure for the evaluation of the future calls for tender (*bandi di gara*), which shall be applicable whenever a single call for tender (*bando di gara*) is consistent with the standard Call for Tenders (*bando di gara tipo*), the standard Bidding Rules (*disciplinare di gara tipo*) and the standard Service Contract (contratto di servizio tipo).

- Article 1, paragraph 95 clarifies that, in case of participation to a tender through a temporary association of companies or consortia, some of the technical capacity requirements defined by the Tender Criteria Decree must be possessed cumulatively by all of the members of a temporary association of companies (*raggruppamento temporaneo di imprese*) or a consortium (*consorzio ordinario*) whilst others may be possessed even by just one of such members.

With Resolution 905/2017/R/gas, published on 28 December 2017, the ARERA has implemented the provisions of Law No. 124/2017, with the aim to simplify the procedures for the calculation of the Reimbursement Value and for the evaluation of tender documents for the awarding of gas distribution concessions.

The Resolution:

- approved two consolidated acts (annexed to the Resolution as Annex A and Annex B) which contain provisions concerning the calculation and verification of the Reimbursement Value of the gas networks and the evaluation of Calls for Tenders (bandi di gara);

- repealed the previous ARERA Resolutions 113/2013/R/gas, 155/2014/R/ gas and 310/2014/R/gas, having the consolidated acts fully incorporated the provisions therein contained without making significant innovations.

With reference to the calculation of the Reimbursement Value, the relevant consolidated act (Annex A) specifies, inter alia, that the evaluation of the difference between VIR and RAB is carried out by the ARERA according to three regimes:

- individual ordinary regime for the Municipality;

- individual simplified regime for the Municipality, pursuant to the ARERA Resolution 344/2017/R/gas, published on 19 May 2017;

- simplified framework regime for the ATEM (ambito), pursuant to Law No. 124/17.

The consolidated act (Annex A) also specifies that, in case of disagreement between the awarding authority and the outgoing operator on the amount of the Reimbursement Value, for the purpose of calculating the difference between VIR and RAB within the minimum geographical area (ATEM), the greater of the two values is assumed.

With reference to the evaluation of Calls for Tenders (bandi di gara), the specific consolidated act (Annex B) states that the evaluation is carried out by the ARERA by applying two different methods which are detailed in such act: the ordinary procedure and the simplified regime. The simplified regime shall apply to those awarding authorities that have used the standard tender documents approved by the ARERA, without substantial amendments whilst, in all other cases, the more complex ordinary evaluation procedure shall apply.

REGULATORY - TARIFFS

As described above, the distribution of natural gas in Italy is regulated by the ARERA, which has been operative since 1997, and is responsible for the regulation of the national electricity and natural gas markets. Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructures and for the delivery of the relative services. According to the Letta Decree, rules for the access and delivery of the services are defined in the codes (Distribution Code) set by the relevant Company and approved by ARERA. Tariff regulation is set by the ARERA before the start of each regulatory period. It identifies the criteria for the determination of the "allowed revenues" and their revision during the regulatory period as well as the methodology for calculating tariffs. This general methodology applies to all businesses areas and is designed to cover capital and operational costs directly related to the business activities of the relevant company.

The methodology envisages the calculation of a reference revenue at the beginning of the regulatory period being the sum of:

- remuneration on net invested capital which is determined multiplying the Regulatory Asset Base (**RAB**), by the allowed rate of return (**WACC**);

- depreciation allowance calculated on the basis of the economical/technical lives set by the ARERA for different asset types; and

- allowed operating costs (as reported in the companies financial statements) which may include the retention of profit sharing on the extra-efficiency performed during the previous regulatory periods.

The revenues related to remuneration and depreciation allowance are updated on an annual basis according to RAB evolution during the period, while the revenues related to operating costs are updated according to the price cap methodology RPI – X formula, where RPI represents the inflation index and X is the efficiency target set by the ARERA.

The allowed revenues are guaranteed during the period through an equalisation mechanism, managed by the ARERA through the Cassa Conguaglio Settore Elettrico (Electricity Equalisation fund – now Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation fund), to guarantee equivalence between the revenue obtained by each company by application of the mandatory tariff, which, naturally, does not reflect the specific costs of each company, and the costs recognised for such company, using the reference tariff. The following are the primary tariff components for the business of the Issuer, based on the regulatory framework in force.

End of TARIFF regulatory period	31 December 2019
Calculation of net invested capital recognised for regulatory purposes (RAB)	Re-evaluated historical cost Parametric method for centralised assets
Return on net invested capital recognised for regulatory purposes (real pre-tax WACC)	Distribution: 6.9% (year 2015) 6.1% (years 2016-2017-2018) Metering: 7.2% (year 2015) 6.6% (years 2016-2017-2018)

Incentives on new investments	Remuneration of investment year t-1 for time lag recognition (from 2013)
Efficiency factor (X FACTOR)	1.7% on distribution operating costs 0% on metering operating costs

With Resolution 597/2014/R/gas, published on 5 December 2014, the ARERA launched a review of the methodology used by it to calculate and update the WACC for the gas and electricity regulated businesses. In particular, the review aims to permit the gas and electricity regulated businesses to use the same parameters to determine the WACC, other than those that are specific to the individual business.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the WACC for the gas and electricity regulated businesses for the period ranging from 1 January 2016 to 31 December 2021. In particular, such criteria establish that the parameters to determine the WACC are the same for the gas and electricity regulated businesses, other than those that are specific to the individual business (asset beta and gearing), with a three-year updating period. In particular the criteria avoid differences between regulated businesses' returns due to specific and non-recurring conditions of the financial markets.

Gas Distribution Tariffs

With Resolution 573/2013/R/gas, published on 13 December 2013, as amended by Resolution 367/2014/R/gas, the ARERA defined the tariff criteria for the distribution and metering services on the local distribution networks for the fourth regulatory period (1 January 2014 to 31 December 2019). In summary, the Resolution provides for:

- recognition of the net invested capital in site by the re-evaluated historical cost methodology and of the net invested capital with respect to centralised operations (non-industrial buildings, ICT assets, vehicles and other fixed assets) by the parametric methodology;

- the base return rate (WACC) of net invested capital (RAB) is set at 6.9% in real terms before taxes for the distribution service and at 7.2% in real terms before taxes for the metering service;

- recognition of the operating costs of distribution operations on a parametric basis and differentiated for each operating company depending on company size and density of the customers connected to the network;

- recognition of the operating costs of metering and sales operations using equal parametric components for all companies;

- the revenues associated with new investments are paid starting from the first year following that in which the costs were incurred ("spending") and are guaranteed regardless of the volumes transported;

- the price cap method for updating the tariffs is applied to revenue relating to operating costs, which are indexed to inflation and reduced by a fixed annual productivity return coefficient set at 1.7% for operating costs relating to distribution and at 0% for operating costs relating to metering. The productivity factors will be updated at the mid-point of the regulatory period according to the provisions that will be issued by the ARERA;

- the revenue components which are related to returns and depreciation are determined on the basis of the annual update of net capital invested (RAB). In particular, as in the third regulatory period, the depreciation is not subject to the price-cap mechanism and calculated on the basis of the useful economic and technical life of the distribution infrastructure which is 50 years;

- confirmation of an equalisation mechanism, managed by the ARERA through the *Cassa Conguaglio Settore Elettrico* (Electricity Equalisation fund– now *Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation fund*), to guarantee equivalence between the revenue obtained by each company by application of the mandatory tariff, which, naturally, does not reflect the specific costs of each company, and the costs recognised for such company, using the reference tariff; and

- public and private contributions received from 2012 are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of the invested capital and for the purpose of calculating the depreciation, and are downgraded by the amount deducted from the depreciation. For those companies adopting the above mentioned method also for the existing stock of contributions at 31 December 2011, the ARERA has established that: a portion of the existing stock has to be released immediately during the fourth regulatory period; while the remaing portion will be subject to a release over time (the so called "*contributi congelati*").

On 27 June 2014 the ARERA published the Resolution 310/2014/R/gas, which defines the methodological aspects for the identification of the cases with a difference between VIR and RAB higher than 10%, the rules for the collection by the ARERA of the VIR data required for the verifications and the procedures to verify the differences between VIR and RAB values higher than 10%.

On 4 July 2014 the ARERA published Resolution No. 326/2014/R/gas, which defines the refund methodology to the out-going operators of the amounts covering the tender burdens at MD 226. In particular, the methodology provides the application of an interest rate equal to the cost of debt used in the WACC determination for distribution and metering services for the fourth regulatory period and the adoption of the composed interest system for the interests determination.

On 11 August 2014 the ARERA published Resolution No. 414/2014/R/gas, which defines the reference values for the determination of benchmark unitary costs to be used in the analysis for the indexes at Article 16, paragraph 1, of resolution 26 June 2014 No. 310/2014/R/gas, for the purpose of verifying the deviations between VIR and RAB according to the article 1, paragraph 16 of Law Decree No. 145/13.

Tariff Regulation of distribution and metering services for the regulatory period 2014-2019 for distribution service on ATEM

On 25 July 2014, the ARERA published Resolution No. 367/2014/R/gas, which defines the tariff regulation of distribution and metering services for the regulatory period 2014-2019. In particular the Resolution, with the provisions related to the distribution services on ATEM, supplementing the previous Resolution 573/2013/R/gas concerning the local distribution networks.

The provisions related to the distribution services on ATEM shall be applied from the entrusting date, as resulting from the service contract stipulated by the contracting authority (stazione appaltante) and by the incoming operator. The main aspects of the document are described below:

- the initial value, recognised for tariff purposes, of the Local Net Invested Capital being transferred for consideration to the incoming operator should be determined based on:

  (a) the Reimbursement Value paid to the outgoing operator pursuant to Article 5 of MD 226, in the event that the outgoing operator is different to the incoming operator, determined as the reconstruction value carried forward, net of depreciation and contributions received; or

  (b) in all other cases, the value of the Local Net Invested Capital, calculated based on the criteria used by the ARERA to determine distribution tariffs;

- at the end of the first concession period (12 years), the value of the Local Net Invested Capital will be determined, in both cases (a and b), as the sum of two components:

  (a) the residual value of the existing stock of assets at the start of the concession period, valued based on the amount to be reimbursed pursuant to Article 5 of MD 226, taking into account amortisation and depreciation, as well as disposals recognised for tariff purposes during the concession period; and

  (b) the residual value of new investments made during the concession period and in existence at the end of the period, calculated pursuant to the applicable tariffs regulation;

- for determining the annual depreciation allowed for tariffs purposes, the extension of the useful regulators lives shall apply, in accordance with the values adopted by MD 226 and starting from the awarding of concessions area by tender;

- the operating costs relating to the distribution service in case of distribution service on ATEM shall be fixed by the ARERA according to the size and density of the ATEM. The annual rate of reduction of the unit costs which shall cover the operating costs of the distribution service, to be applied for updates of the tariffs for the first two years following the year of entrusting of the service by tender shall be equal to 0%. For the subsequent years, the annual rate of reduction will be equal to that provided for the local distribution networks for distribution companies belonging to the size category more than 300,000 delivery points served; and

- from the year 2014, the ARERA shall define and publish: i) no later than 15 December of each year the tariffs for distribution and metering services, to be applied to the following year; ii) no later than 31 March of the year "t", on a provisional basis, the relevant tariffs for the year "t", calculated on the basis of the pre-final financial data for the year "t-1"; iii) no later than 28 February of the year "t+1", on a definitive basis, the relevant tariffs for the year "t", calculated on the basis of the pre-final financial data for the year "t-1" (instead of 15 December of the year "t" as provided for the previous resolution No. 573/2013).

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period ranging from 1 January 2016 to 31 December 2021. For the years 2016, 2017 and 2018 the base return rate (WACC) is set at 6.1% for distribution business and 6.6% for metering business.

With Resolution 645/2015/R/gas, the ARERA determined the mandatory tariffs for natural gas distribution and metering services for 2016.

With Resolution 647/2015/R/gas, published on 22 December 2015, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for years 2009-2014, on the basis of requests for rectification received from some operators by 15 September 2015.

With Resolution 98/2016/R/gas, published on 11 March 2016, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for years 2009-2014.

With Resolution 99/2016/R/gas, published on 11 March 2016, the ARERA has approved the definitive reference tariffs for natural gas distribution and metering services for 2015.

With Resolution 733/2016/R/gas, published on 9 December 2016, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for the years 2009-2015, on the basis of requests for rectification received from certain operators by 15 September 2016.

With Resolution 774/2016/R/gas, published on 29 December 2016, the ARERA determined the mandatory tariffs for natural gas distribution and metering services for 2017.

With Resolution 775/2016/R/gas, published on 23 December 2016, the ARERA has updated at the mid-point of the fourth regulatory period the criteria of the tariff regulation of gas distribution and metering services for the period ranging from 1 January 2017 to 31 December 2019. In particular the updating has involved the fixed annual productivity return coefficient for operating costs relating to distribution and metering services (X-factor), the centralized component covering costs for remote reading and standard costs to be applied to smart meters to recognize capital costs.

With Resolution 145/2017/R/gas, published on 17 March 2017, the ARERA has approved the definitive reference tariffs for natural gas distribution and metering services for 2016.

With Resolution 146/2017/R/gas, published on 17 March 2017, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for years the 2009-2015, on the basis of requests for rectification received from certain operators.

With Resolution 220/2017/R/gas, published on 7 April 2017, the ARERA has approved the provisional reference tariffs for natural gas distribution and metering services for 2017.

With Resolution 389/2017/R/gas, published on 5 June 2017, the ARERA has approved the operating costs referred to centralized smart meters management systems, incurred in years 2011, 2012 and 2013 by the distributing companies adopting the “buy solution”.

With Resolution 858/2017/R/gas, published on 15 December 2017, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for the years 2009-2016, on the basis of requests for rectification received from certain operators by 15 September 2017.

With Resolution 859/2017/R/gas, published on 15 December 2017, the ARERA has approved the mandatory tariffs for natural gas distribution and metering services. Moreover this Resolution has approved the level of operating costs relating to distribution and metering services and the level of costs relating to centralised asset for 2018.

With Resolution 904/2017/R/gas, published on 28 December 2017, the ARERA has confirmed the criteria for the definition and evaluation, for years 2018 and 2019, of the costs incurred in relation to the implementation of the smart meters management systems.

With Resolution 148/2018/R/gas, published on 15 March 2018, the ARERA has redefined the reference tariffs for natural gas distribution and metering services for the years 2009-2016, on the basis of requests for rectification received from certain operators by 15 February 2018.

With Resolution 149/2018/R/gas, published on 15 March 2018, the ARERA has approved the definitive reference tariffs for natural gas distribution and metering services for 2017.

With Resolution 177/2018/R/gas, published on 29 March 2018, the ARERA has approved the provisional reference tariffs for natural gas distribution and metering services for 2018.

With Resolution 389/2018/R/gas, published on 19 July 2018, the ARERA has postponed the terms regarding equalization of revenues related to the natural gas distribution service.

With Resolution 529/2018/R/gas, published on 24 October 2018, the ARERA has launched the procedure for defining tariff and quality relating to gas distribution and metering services for the fifth regulatory period; the Resolution has postponed until 2020 the application of the standard costs for the distribution network investments, reflected into tariff from 2021.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

ITALIAN TAXATION

The following is an overview of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Noteholder: as a consequence they should consult their tax advisers as to the consequences under Italian tax law and under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This overview does not describe the tax consequences for an investor with respect to Notes that provide payout linked to the profits of the Issuer, profits of other company of the group or profits of the business in relation to which they are issued.

Interest and other proceeds from Notes that qualify as bonds or instruments similar to bonds

Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued by, *inter alia*, companies with shares listed on an EU or EEA regulated market or multilateral trading facility, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant to the holder any direct or indirect right of participation to (or control of) the management of the issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), or a de facto partnership not carrying out commercial activities or professional association; or (c) a private or public entity (other than companies), a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income including the difference between the redemption amount and the issue price (other than capital gains) ("**Interest"**) relating

to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent.. All the above categories are qualified as "net recipients" (unless the Noteholders referred to under (a), (b) and (c) above have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called "*risparmio gestito*" regime – see "*Capital Gains Tax*" below). In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Italian resident investors who have opted for the "*risparmio gestito"* regime (as defined below) are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano 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"**).

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation ("**IRES"**) and, in certain circumstances, subject to the "*status*" of the Noteholder, also to regional tax on productive activities ("**IRAP"**).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 ("**Decree 351"**), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the "**Real Estate SICAFs"**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF provided that the Notes, together with the relevant coupons, are timely deposited with an authorised intermediary. The income of the Italian real estate investment funds or of the Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an Italian investment company with fixed share capital) or a SICAV (an investment company with variable capital) established in Italy (the "**Fund"**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax"**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005)("**Decree No. 252**") and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax (the "**Pension Fund Tax**"). Subject to certain limitations and requirements (including a minimum holding period), Interest in respect to the Notes may be

excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 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, paragraphs 100 – 114, of Finance Act 2017.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("**SIMs"**), fiduciary companies, *Società di gestione del risparmio* ("**SGRs"**), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "**Intermediary"**) as subsequently amended and integrated.

An Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder or, absent that by the Issuer.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy, as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time (last amendment being made by Italian Ministerial Decree dated 23 March, 2017) and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) an institutional investor that is resident in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest accrued during the holding period, when the Noteholders are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy. The *imposta sostitutiva* may be reduced by applicable double tax treaty, if any.

In order to ensure gross payment, non-Italian resident investors must be the beneficial owners of the payments of interest, premium or other proceeds and (a) deposit, directly or indirectly, the Notes or the coupons with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree No. 239 an Italian resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or a non-Italian resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set out by Ministerial Decree of 12 December 2001.

Failure of a non–resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments to a non–resident holder of the Notes.

Interest and other proceeds from Notes not having 100 per cent. capital protection guaranteed by the Issuer

In case Notes representing debt instruments implying a "use of capital" do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and/or they give any right to directly or indirectly participate in the management of the relevant Issuer or of the business in relation to which they are issued and/or any type of control on the management, Interest in respect of such Notes may be subject to a withholding tax, levied at the rate of 26% under Law Decree No. 512 of 30 September 1983.

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 to which the Notes are connected, (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.

In the case of non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, the withholding tax may be reduced by the applicable double tax treaty, if any.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes not having 100 per cent. capital protection guaranteed by the Issuer if such 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 the Finance Act 2017.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.
Where an Italian resident Noteholder is (a) an individual not holding the Notes in connection with an entrepreneurial activity, (b) a partnership not carrying out commercial activities, (c) a private or public institution not carrying out mainly or exclusively commercial activities, 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.. Under some conditions and limitations, Noteholders may set off losses with gains. In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(d) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Noteholders under (a) to (c) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the relevant Noteholder pursuant to all sales or redemptions of the Notes carried out during any given tax year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in their annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital

gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realized from 1st January 2014 to 30 June 2014 may be offset against capital gains of the same nature realized after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

(e) As an alternative to the tax declaration regime, Noteholders under (a) to (c) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the **Decree No. 461**). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being made timely in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised from 1 January 2014 to 30 June 2014 may be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

(f) Any capital gains realised or accrued by Noteholders under (a) to (c) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciations of the managed assets registered from 1 January 2014 to 30 June, 2014 may 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 same depreciations in value. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF. The income of the real estate fund or of the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder which is a Fund will be included in the results of the relevant portfolio accrued at the end of the tax period. The Fund will not be subject to taxation on such result, but the

Collective Investment Fund Tax, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.
Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax. Subject to certain limitations and requirements (including a minimum holding period), capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 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, paragraphs 100 – 114, of Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are transferred on regulated markets and in certain cases subject to timely filing of required documentation (in the form of a 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 set forth by any applicable double tax treaty.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not transferred on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence. In order to benefit of the exemption from *imposta sostitutiva* as for the above, all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended have to be met. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the "*risparmio gestito"* regime or are subject to the "*risparmio amministrato*" regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer are subject to the *imposta sostitutiva* at the current rate of 26%.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, who may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law of a direct lineage or after relatives-in-law of a collated lineage up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

(c) any other transfer, in principle, is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, Euro 1,500,000.

The *mortis causa* transfer of financial instruments 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, are exempt from inheritance taxes.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (b) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 13 par. 2/*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October, 1972, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Tax Monitoring Obligations

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes, the amount of Notes held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201 of 6 December 2011, Italian resident individuals holding the securities – including the Notes – outside the Italian territory are required to pay an additional tax at a rate of 0.20% for each year.

This tax is calculated on the market value of the securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

The financial assets held abroad are excluded from the scope of the wealth tax if administered by Italian financial intermediaries pursuant to an administration agreement.

LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

Withholding tax

(a) **Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(b) **Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

THE PROPOSED EUROPEAN UNION FINANCIAL TRANSACTION TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the EU FTT.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements.

A number of jurisdictions (including 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 01 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, if additional Notes (as described under "*Terms and Conditions of the Notes*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such Notes, including those Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

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 8 November 2018, agreed with the Issuer the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

If Category 1 is specified in the Final Terms the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the Securities Act.

If Category 2 is specified in the final Terms each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

If the Final Terms in respect of any Notes include a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by 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:

(i) the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive 2002/92/EC as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in the Prospectus Directive; and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public Offer Selling Restriction under the Prospectus Directive

If the Final Terms in respect of any Notes do not include a legend entitled "Prohibition of Sales to EEA Retail Investors", 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 and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the Financial Services Act) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (Regulation No. 11971); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

France

Each of the Dealers has represented and agreed that:

It has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, and/or (c) a limited circle of investors (cercle restreint) acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-4 of the French *Code monétaire et financier*.

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 establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 5 November 2018.

Legal entity identifier (LEI)

The Legal entity identifier (LEI) of the Issuer is 815600F25FF44EF1FA76.

Approval of Base Prospectus, Admission to Trading and Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU, as amended.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection in hard copy from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

(a) the By-laws (*statuto*) (with an English translation thereof) of the Issuer;

(b) the audited consolidated annual financial statements of Italgas Group as of and for the financial year ended 31 December 2016, (with an English translation thereof) audited by EY S.p.A. and containing the auditors' report therein;

(c) the condensed consolidated interim financial statements of Italgas Group as at and for the six months period ended 30 June 2017 (with an English translation thereof) reviewed by PricewaterhouseCoopers S.p.A. and containing the auditors' report therein;

(d) the audited consolidated annual financial statements of Italgas Group as of and for the financial year ended 31 December 2017 (with an English translation thereof), audited by PricewaterhouseCoopers S.p.A. and containing the auditors' report therein;

(e) the condensed consolidated half-year financial statements of Italgas Group as at and for the six months period ended 30 June 2018 (with an English translation thereof), reviewed by PricewaterhouseCoopers S.p.A. and containing the auditors' report therein;

(f) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(g) a copy of this Base Prospectus; and

(h) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website 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. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Adverse Change

There has been no significant change in the financial or trading position of the Italgas Group since 30 June 2018, and no material adverse change in the financial position or prospects of the Italgas Group since 31 December 2017.

Litigation

Save as disclosed in the section entitled "*Material Litigation*" at pages 110-112 of this Base Prospectus in respect of the first half financial year ended on 30 June 2018, neither the Issuer nor any other member of the Italgas 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 Italgas Group.

Independent Auditors

On 28 April 2017, the Shareholders' Meeting of the Issuer, inter alia, approved: (a) the consensual resolution of the statutory audit assignment granted to Ernst & Young and (b) the assignment of the statutory audit for nine years, namely for the years ended 31 December 2017 to 2025, to PricewaterhouseCoopers.

The Independent Auditors of the Issuer, PricewaterhouseCoopers S.p.A., are authorised and regulated by the MEF and registered on the special register of auditing firms maintained by the MEF.

The registered office of PricewaterhouseCoopers S.p.A. is at Viale Monte Rosa 91, Milan, 20149, Italy.

Post-issuance information

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, lending activities, 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. Moreover, part of the proceeds derived from issuances of Notes under the Programme might be used to repay previous loans granted to the Issuer by some of the Dealers and their affiliates. In addition, in the ordinary course of their business activities, the Dealers

and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes parent companies.

ANNEX 1 - FURTHER INFORMATION RELATED TO INFLATION LINKED NOTES

The Issuer can issue Notes which are linked to an index pursuant to the Programme, where the underlying index is the CPI or the Eurozone Harmonised Index of Consumer Prices excluding Tobacco as defined below.

CPI or **ITL – Inflation for Blue Collar Workers and Employees - Excluding Tobacco Consumer Price Index Unrevised** means, subject to the Conditions, the "*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*" as calculated on a monthly basis by the *ISTAT - Istituto Nazionale di Statistica* (the Italian National Institute of Statistics) (the **Index Sponsor**) which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index) (the **Reference Source**), provided that for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the inflation Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the **HICP**) is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the EU Member States' individual harmonised index of consumer prices excluding tobacco (**Individual HICP**). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different EU Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a

new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are "price updated" to December of the previous year.

More information on the HICP, including past and current levels, can be found at: *http://ec.europa.eu/eurostat/web/hicp/overview*.

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