Base Prospectus

IREN S.p.A.

(a company limited by shares incorporated under the laws of the Republic of Italy)

€2,500,000,000
Euro Medium Term Note Programme

Under the €2,500,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus, Iren S.p.A. ("**Iren**" or the "**Issuer**") may from time to time issue certain non-equity securities ("**Notes**") in bearer form denominated in any currency.

This document constitutes a base prospectus for the purposes of Article 5(4) of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), and has been approved as such by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive. The Central Bank approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2006/65/EU and/or which are to be offered to the public in any member state of the European Economic Area.

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Notes to be admitted to the Official List and to trading on its regulated market. The Programme also allows for Notes to be issued on the basis that they will: (i) be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed by the Issuer or (ii) not be admitted to listing, trading or quotation by any competent authority, stock exchange and/or quotation system.

This Base Prospectus is available for viewing on Euronext Dublin's website (*www.ise.ie*) and the documents incorporated by reference herein may be accessed on the Issuer's website (*www.gruppoiren.it*) (see "*Information Incorporated by Reference*").

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*" on page 14.

The Programme has been rated "BBB" for senior unsecured debt and the Issuer has been rated "BBB", in each case by Fitch Italia S.p.A. ("**Fitch**"), which is established in the EEA and registered as a credit rating agency under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). A 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.

Joint Arrangers

Goldman Sachs International **Mediobanca**

Dealers

Banca IMI **Goldman Sachs International**
Mediobanca **UniCredit Bank**

17 July 2019

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this document and declares that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**"), together with a document specific to such Tranche called final terms (the "**Final Terms**"). This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms. The Issuer accepts responsibility for the information contained in the Final Terms in respect of each Tranche of Notes issued under the Programme.

The Issuer has confirmed to the Dealers named under "*Certain Definitions*" below that this Base Prospectus (including, for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised or verified the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of information contained in this Base Prospectus. The Dealers accept no liability in relation to this Base Prospectus or any document forming part of this Base Prospectus or the distribution of any such document or with regard to any other information supplied by or on behalf of the Issuer.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented by a supplement or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since any such date or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date shown in the document containing that information.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), prospects and credit-worthiness of the Issuer.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. Neither the Issuer nor any of the Dealers represents that this Base Prospectus may be lawfully distributed, or that 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, nor do they assume any responsibility for facilitating any such distribution or offering.

No action has been taken by the Issuer or the Dealers which is intended to permit a public offering of the Notes or the 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.

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

MIFID II PRODUCT GOVERNANCE / TARGET MARKET: The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance / 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 MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

For a description of certain other restrictions on the offering, sale and delivery of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" below. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) 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 U.S. persons.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €2,500,000,000 and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes, calculated in

accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement and publication of a supplement to this Base Prospectus.

EU BENCHMARKS REGULATION: Amounts payable under Notes may be calculated by reference to either the Euro Interbank Offered Rate ("**EURIBOR**"), the London Interbank Offered Rate ("LIBOR"), the Constant Maturity Swap rate ("**CMS Rate**") or such other reference rate as may be specified in the relevant Final Terms. As at the date of this Base Prospectus, ICE Benchmark Administration Limited, as administrator of LIBOR and the CMS Rate, and the European Money Markets Institute, as administrator of EURIBOR, are both authorised as a benchmark administrator under Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**") and included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmarks Regulation.

The Programme has been rated "BBB" for senior unsecured debt and the Issuer has been assigned a rating of "BBB", in each case by Fitch, which is established in the EEA and registered as a credit rating agency under the CRA Regulation. Notes issued pursuant to the Programme may be rated or unrated. The Final Terms (as defined herein) will disclose any rating(s) assigned to any particular Notes issued under the Programme. A 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. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. The Final Terms relating to rated Notes will disclose whether or not each credit rating applied for in relation to relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation (an "**EEA registered agency**"), or (2) issued by a credit rating agency which is not established in the EEA (a "**non-EEA registered agency**") but endorsed by an EEA registered agency or (3) issued by a non-EEA registered agency which is certified under the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating does not fall within one of the above categories. Any EEA registered agency will be entered on the list of registered credit rating agencies maintained by the European Securities and Markets Authority, which may be consulted on the following page on its website:

http://www.esma.europa.eu/page/List-registered-and-certified-CRAs#

* * *

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CERTAIN DEFINITIONS

In this Base Prospectus, unless otherwise specified or where the context requires otherwise:

(i) references to "**billions**" are to thousands of millions;

(ii) "**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, Luxembourg;

(iii) references to the "**Conditions**" are to the terms and conditions relating to the Notes set out in this Base Prospectus in the section "*Terms and Conditions of the Notes*" and any reference to a numbered "**Condition**" is to the correspondingly numbered provision of the Conditions;

(iv) the "**CRA Regulation**" means Regulation (EC) No. 1060/2009 on credit rating agencies, as amended;

(v) the "**Dealers**" means Banca IMI S.p.A., Goldman Sachs International, Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit Bank AG, together with any additional Dealer appointed by the Issuer under the Programme from time to time, either for a specific issue or on an ongoing basis;

(vi) references to "**€**", "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;

(vii) "**Euroclear**" means Euroclear Bank S.A./N.V.;

(viii) "**Group**" means the Issuer and its subsidiaries;

(ix) "**ICSDs**" means Clearstream, Luxembourg and Euroclear;

(x) "**IFRS**" means International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December 2005 and related transitional regulations in Italy;

(xi) the "**Issuer**" means Iren S.p.A.;

(xii) references to a "**Member State**" are to a Member State of the European Economic Area;

(xiii) references to a "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) purchased by one Dealer, be to such Dealer and, in the case of an issue of Notes being (or intended to be) purchased by more than one Dealer, be to the lead manager of such issue; and

(xiv) the "**Securities Act**" means the United States Securities Act of 1933, as amended.

STABILISATION

In connection with the issue of any Tranche of Notes under the Programme, the Dealer (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 action 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. Such stabilising shall be conducted in accordance with all applicable laws, regulations and rules.

THIRD PARTY INFORMATION

This Base Prospectus contains information sourced from the *Autorità di Regolazione per Energia Reti e Ambiente*[1] (Regulatory Authority for Energy, Networks and the Environment or "**ARERA**", formerly

[1] Pursuant to the Law No. 205 of 27 December 2017, the AEEGSI took over the regulation of the waste sector and, as a result, was renamed ARERA.

known as the *Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico* or the "**AEEGSI**") and Gestore dei Mercati Energetici S.p.A. ("**GME**"), which is the operator of Italy's market for trading in electricity and energy. Such information has been reproduced accurately in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by the ARERA, no facts have been omitted which would render such reproduced information inaccurate or misleading.

ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus contains certain performance measures which, although not recognised as financial measures under Italian GAAP or IFRS, are used by the management of the Issuer to monitor the Group's financial and operating performance. In particular:

Free cash flow: determined by adding to the operating cash flow the financial resources used or provided by investing activities represented by investments in property, plant and equipment, intangible and financial assets, disposals, changes in the consolidation scope and dividends received.

Gross Operating Profit (EBITDA): determined by subtracting total operating expenses from total revenue.

Gross operating profit over revenue: determined as a percentage between gross operating profit and value of revenue.

Investments: representing the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments) and presented gross of capital grants.

Net financial debt: representing the sum of non-current financial liabilities net of non-current financial assets and current financial liabilities net of current financial assets and of cash and cash equivalents.

Net financial debt over equity: determined as a ratio between net financial debt and equity including non-controlling interests.

Net invested capital: representing the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks and employee benefits and assets (liabilities) held for sale. For further details on the construction of the single items that make up this indicator, see the statement of reconciliation of the reclassified balance sheet with the accounting statement presented in the annexes to the consolidated financial statements.

Operating cash flow: determined starting from net profit/(loss) for the period, adjusted for financial income and expenses and for non-monetary items (depreciation and amortisation, provisions, impairment losses), to which are added the changes of net working capital, utilisations of provisions and employee benefits and other operating changes.

Operating profit (EBIT): determined by subtracting from gross operating profit (EBITDA) depreciation, amortisation, provisions and operating impairment losses.

Investors should be aware that:

- these financial measures are not recognised as a measure of performance under IFRS or Italian GAAP;
- they should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS, Italian GAAP or any other generally accepted accounting principles; and

- they are used by management to monitor the underlying performance of the business and operations but are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results.

Furthermore, since companies do not all calculate these measures in an identical manner, the Issuer's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on any such data.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is qualified in its entirety by the remainder of *this Base Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus shall have the same meanings in this description.*

Issuer:	Iren S.p.A.
Joint Arrangers:	Goldman Sachs International Mediobanca – Banca di Credito Finanziario S.p.A.
Dealers:	Banca IMI S.p.A. Goldman Sachs International Mediobanca – Banca di Credito Finanziario S.p.A. UniCredit Bank AG and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent and Paying Agent:	The Bank of New York Mellon
Listing Agent:	Arthur Cox Listing Services Limited
Approval, Listing and Admission to Trading:	This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus pursuant to the Prospectus Directive. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market of Euronext Dublin and to be listed on the Official List of Euronext Dublin. 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 may also be issued which are neither listed nor admitted to trading on any market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €2,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the Issue Date, the Interest Commencement Date, the Issue Price and the amount and the date of the first payment of interest may be different in respect of different Tranches and each Tranche may comprise Notes of different denominations.

Final Terms:	Notes issued under the Programme will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes, together with the relevant Final Terms.
Forms of Notes:	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, whereas each Global Note which is specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. The Final Terms will specify whether or not the Notes are issued in the form of a New Global Note. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. For further information, see the section of this Base Prospectus entitled "*Forms of the Notes*".
Currencies:	Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application).
Issue Price:	Notes may be issued at any price, as specified in the relevant Final Terms.

Maturities:	Any maturity or no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.
Redemption:	Subject to any purchase and cancellation or early redemption or repayment, the Notes will be redeemable at par.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms. In the case of redemption at the option of the Issuer, the Final Terms may specify that the right to redeem the Notes may be exercised by the Issuer (i) unconditionally (on certain dates) and/or (ii) conditionally, once the aggregate outstanding principal amount of a Series of Notes falls below a specified threshold (clean-up call). In the case of redemption at the option of the Noteholders, the Final Terms may specify that the right to require redemption of the Notes may be exercised by Noteholders (i) unconditionally (on certain dates) and/or (ii) conditionally, upon the occurrence of certain change of control events.
Tax Redemption:	Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons, as described in Condition 10(b) (*Redemption for tax reasons*).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination of the two and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note issued under the Programme will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 13 (*Events of Default*).
Taxation:	All payments in respect of Notes will be made free and clear of withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will (subject to the exceptions set out in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required. As more fully set out in Condition 12 (*Taxation*), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes, including (but not limited to) where any payment, withholding or deduction is required pursuant to Decree No. 239 on account of Italian substitute tax, as defined therein in relation to interest or premium payable on, or other income deriving from, the Notes.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with them will be governed by English law. Condition 17 (*Meetings of Noteholders; Noteholders' Representative; Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders are subject to compliance with mandatory provisions of Italian law.
Enforcement of Notes in Global Form:	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 17 July 2019, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings	The Programme has been rated "BBB" for senior unsecured debt and the Issuer has been rated "BBB", in each case by Fitch. Notes issued pursuant to the Programme may be rated or unrated. A 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.

Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Italy, France and Japan, see "*Subscription and Sale*" below.

RISK FACTORS

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these risk 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.

The Issuer believes that the matters described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. In addition, the order in which the risk factors are presented below is not intended to be indicative of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition or results of operations of the Issuer.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and consider carefully whether an investment in the Notes is suitable for them in the light of all the information contained in this Base Prospectus and their personal circumstances, based on their own judgment and on advice from such financial, legal, tax and other professional advisers as they deem necessary.

Words and expressions defined in "Forms of the Notes" and "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus, including the information incorporated by reference in this Base Prospectus.

Risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes

Evolution in legislative and regulatory framework for the electricity, district heating, natural gas, waste and water sectors

The Group carries on its business in a heavily regulated environment, in accordance with, among other things, the resolutions issued by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti e Ambiente* ("**ARERA**", formerly the AEEGSI or *Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico*), an independent body created under Italian Law No. 481 of 14 November 1995 for the purposes of protecting consumer interests and promoting the competition, efficiency and distribution of services with adequate levels of quality, through regulatory and control activities. Changes in applicable legislation and regulation, whether at European or national and regional level, as well as the regulations of particular state agencies, including ARERA and the manner in which they are interpreted could affect the Group's earnings and operations, either positively or negatively, both through the effect on current operations and also through the impact on the cost and revenue-earning capabilities of current and future planned developments in sectors in which the Group conducts its business. Such changes could include changes in tax rates, legislation and policies in energy and environmental fields, changes in safety or other workplace laws or changes in the regulation of cross-border transactions. In addition, public policies related to water, waste, energy (mostly electricity, gas, district heating and LNG), energy efficiency and/or air emissions may have impact on the overall market and particularly the public sector, in which the Group operates.

The Group operates in a political, legal and social environment which is expected to continue to have a material impact on the performance of the Group. Regulation of a particular sector may affect many

aspects of the Group's business and, in many respects, determines the manner in which the Group conducts its business and the fees it charges or obtains for its products and services. Any new or substantially altered rules and standards may adversely affect Iren's business, financial condition and results of operations.

The Group is dependent on concessions from national and local authorities for its regulated activities

For the year ended 31 December 2018, regulated activities (such as energy infrastructure, its Integrated Water Services business unit, waste collection management and the Other Services business unit) accounted for 45 per cent. of the Group's EBITDA[2], excluding the contribution from capital gains, while the remainder was represented by semi-regulated activities, i.e. district heating, urban waste disposal and incentives for power generation by renewable energy sources (28 per cent.), and non-regulated activities, such as power generation, special waste and the Market business unit (27 per cent.)[3]. Regulated activities are dependent on concessions from local authorities (in the case of integrated water service, hydroelectric energy production, district heating service, LNG, gas distribution, waste management and public lighting) and from national authorities (in the case of electricity distribution) that vary in duration across the Group's business areas. For further information on the concessions granted to Iren and its subsidiaries, their original expiry dates and the extension regime applicable to them, see *"Description of the Issuer – Concessions*".

Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance) and 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 can, if such failure is left unsolved, lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. Finally, the ARERA is entitled to carry out inspections in relation to regulated activities such as those carried out by the Issuer and has power to levy significant fines in the event of non-compliance.

Both in the case of expiry of a concession at its stated expiry date and in the case of early termination for any reason whatsoever, each concession holder must continue to operate a concession until it is replaced by the incoming concession holder. In addition, the outgoing concession holder may be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. The outgoing concession holder is normally entitled to compensation based on the residual value of investments made by it in the concession. However, partly due to uncertainties over, *inter alia*, the valuation criteria applied to such investments and the interpretation of the applicable law, the amount and date of payment of any such compensation could be easily challengeable.

Where any Group company is a borrower under any loan agreements, the termination of a concession may have serious contractual consequences, such as mandatory prepayment of the loan by the Group company. In addition, the loss of a concession may result in litigation: (i) towards the

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[2] For a description of Gross operating profit (EBITDA), see "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

[3] Regulated activities mean activities granted on concession to the Issuer whose revenues are protected by a system of tariffs established by the competent authorities (i.e. ARERA or the Regions for waste collection management) and are not subject to volume-risk.

Semi-regulated activities mean activities whose revenues are predictable over time since those revenues are (i) either pre-determined by a system of tariffs which is regulated by the competent authorities or (ii) are originated from fixed price formulas. Revenues are partly subject to volume-risk.

incoming concession holder, if any, with respect to the determination by the regulator (i.e. ARERA) of the compensation to be paid to them, even if the method of determination of the compensation is clearly defined in the concessions or by national rules implemented by ARERA; and (ii) to users of the service performed by the Group under the concession.

No assurance can be given that the Group will be successful in renewing its existing concessions or in obtaining concessions in order to carry on its business once its existing concessions expire, or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions. Any failure by the Group to obtain new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, could adversely affect the Group's business, financial condition and results of operations.

Regulation of local public services and expiry of concessions

Legislation in recent years providing for the early expiry of concessions for local public services has given rise to concerns as to how it will affect the business of operators in the sector such as the Issuer. For example, Article 23-*bis* of Law Decree No. 112 of 25 June 2008 (as amended) provided for the automatic early expiry of certain water business concessions that had not originally been awarded on the basis of a public tender unless the shareholding of public entities in the concession holder was reduced to certain thresholds, eventually coming down to 30 per cent. However, a referendum in June 2011 revoked Article 23-*bis* and subsequent legislation fell foul of the Constitutional Court in July 2012, as it was held to be an attempt to introduce provisions that were analogous to those that had already been barred by the referendum. The current position is that the expiry of concessions affected by Article 23-*bis* will occur on their contractual expiry date or, for those granted for an indefinite period (which is not the case with the Group's concessions), not later than the end of 2020.

The Group's gas distribution business also depends on concessions being granted by Italian local authorities. The gas market is regulated by Legislative Decree No. 164 of 23 May 2000, as amended, pursuant to which the distribution of natural gas in certain municipalities and areas must be carried out by operators chosen through a public tender process. There is still considerable uncertainty with regard to how the concession system will work and how the authorities granting the concessions and the Italian courts will interpret such legislation. Since 2011, Ministerial Decree No. 226 of 12 November 2011, as amended, provides that the gas distribution service may only be conducted based on a tender process announced exclusively for ATEMs (*Minimum Territorial Areas*), mainly covering an area the size of a province, with a maximum duration for concessions of up to 12 years.

In relation to hydroelectric power, a procedure for the granting of concessions for water exploitation is required by the Italian Consolidated Act on Public Water. In addition, Law. No. 12/2019 has redefined the regulatory framework on concessions for major water transfers for hydroelectric purposes by amending article 37 of Law Decree No. 83 of 22 June 2012. In particular, Law No. 12/2019 provides for regionalisation of ownership of hydroelectric projects when hydroelectric power concessions expire or in cases of withdrawal or revocation. Under Law No. 12/2019, the potential risks mainly relate to:

- excessive charges due to (i) a possible increase in the ordinary fee and (ii) the additional fee to be paid for expired concessions; and
- the procedures for the reassignment of expired concessions.

The Group currently exercises about a dozen expired concessions, subject to the above risks.

As regards the integrated water service (IWS), for all the aspects of IWS management (e.g. assignment of the integrated water services and conditions for the operation, quality standards as well as tariff calculation and revision), the Group must comply with the applicable regulations (including

those set out by the ARERA) as well as with the provisions contained in the relevant concession agreements. Although the entire regulatory framework is designed to give stability to the IWS sector (as well as in other sectors in which the Group operates), it cannot be excluded that changes in applicable laws and regulations, whether at a regional, national or European level, and the manner in which they are interpreted, could positively or negatively affect the Group's earnings and current operations. Such changes could include changes in tax rates, tariff calculation method, legislation and policies as well as changes in environmental, safety or other workplace laws.

In general, the complexity of regulations governing the expiry and renewal of concessions held by the Group could give rise to uncertainty over its ability to maintain those concessions and to the risk of legal proceedings, which may in turn have an adverse effect on the Group's business, financial condition and results of operations.

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

The strategic development plan of the Group provides for considerable investments in all the Group's business sectors, from the construction or upgrading of cogeneration plants to complete the district heating (*teleriscaldamento*) extension plan, to the upgrading of its hydroelectric plants, and the consolidation of its presence in the electrical energy and gas distribution sectors, and water and waste treatment sectors.

The above activities entail Group exposure to regulatory, technical, commercial, economic and financial risks related to the obtaining of the relevant permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If Iren and its subsidiaries are unable to maintain, obtain or comply with the relevant permits and approvals, the Group's ability to achieve its strategic objectives could adversely affect the Issuer's business, financial condition and results of operations.

Risks related to the demand for natural gas and electrical energy

Trends in electrical energy and gas consumption are generally related to gross domestic product. The recent global economic and financial crisis, characterised by a deterioration of the macroeconomic conditions, has led to a contraction in consumption and industrial production worldwide. In 2018 the demand for electrical energy in Italy experienced a smaller increase by 0.4 per cent. compared to 2017 (from 320 TWh to 321 TWh) while, on the basis of currently available data, gas demand decreased by around 3.2 per cent. compared to 2017 (from 74 billion cubic metres to 72 billion cubic metres) (*Source*: GME, Report No. 122 of January 2019). Any contraction in demand for energy and/or natural gas could significantly reduce the Group's revenues and limit future growth prospects, which may have a material adverse effect on the Issuer's business, financial condition and result of operations.

Risks relating to quality standards

The Group is required to comply with certain quality standards for the sale of natural gas, electricity and district heating to end users, as well as certain standards of security, continuity and commercial quality with respect to natural gas distribution. Failure to comply with these standards may result in the Group having to pay indemnities to end users, penalties and/or fines. Although the Group believes that it currently complies with the relevant quality and safety standards, any future breach of these standards could adversely affect the Issuer's business, financial condition and results of operations.

Risks relating to market liberalisation, resulting in greater competition

The sectors in which the Group operates have recently undergone a process of gradual liberalisation in recent years, which has been implemented in different ways and according to different timetables from the production to the distribution process. As a result, new competitors may enter many of the Group's markets and the Group's ability to develop its businesses and improve financial results may be constrained by new competition. Furthermore, the Group may be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements or expansion into new business areas or markets.

In its electricity business, from the production to the transportation, supply and sale businesses, the Group competes with other producers and traders from both inside and outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid/achieved in the Group's electricity production and trading activities.

Similarly, in its natural gas business, Iren faces increasing competition from both national and international natural gas suppliers. Increasingly higher levels of competition in the Italian natural gas market could entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to end users in Italy, which could threaten the market position of companies like Iren, which resell gas purchased from producing countries to end users.

Although the Group has sought to face the challenge of liberalisation by increasing its presence and client base in free (i.e. non-regulated) areas of the energy markets in which it competes, it may not be successful in doing so. Any failure by the Group to respond effectively to increased competition may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Natural disasters, service interruptions, systems failures, water shortages or contamination of water supplies as well as other disruptive events could adversely affect profitability

The Group controls and operates utility networks and maintains their associated assets with the objective of providing a continuous service. In exceptional circumstances, electricity, gas or water shortages, or the failure of part of the network or supporting plant and equipment, could result in the interruption of service or catastrophic damages resulting in loss of life and/or environmental damage and/or economic and social disruption.

For example water shortages may be caused by natural disasters, floods and prolonged droughts, below average rainfall, increases in demand or by environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of a shortage, the Group may incur additional costs in order to provide emergency reinforcement to supplies. In addition, water supplies may be subject to interruption or contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made sources or third parties' actions. The Group could also be held liable for human exposure to hazardous substances in its water supplies or other environmental damage, or be fined for breaches of statutory obligations, including the obligation to supply drinking water that is wholesome at the point of supply, or held liable to third parties, or be required to provide an alternative water supply of equivalent quality, which could increase costs.

Moreover, significant damage or other impediments to the waterworks facilities, including multipurpose dams and the water supply systems, managed by the Group could result from (i) natural disasters, such as floods or prolonged droughts, (ii) human error in operating the waterworks facilities or (iii) strikes. The Group maintains insurance against some, but not all, of these events but no assurance can be given that its insurance will be adequate to cover any direct or indirect losses or

liabilities it may suffer. An additional risk arises from adverse publicity that these events may generate and the consequent damage to the Issuer's and the Group's reputation.

With specific regard to the natural gas and electricity sectors, peak demand periods may coincide with times when there is a shortage of the relevant commodity. In addition, the Group could experience problems in acquiring natural gas and electricity due to an interruption of the operation of the natural gas transport network or the national electricity transmission network. Should the Group encounter these issues, it could be forced to limit or suspend its business. Furthermore, a large part of the natural gas transported in the Italian national transportation system is imported from or transits through countries that have already experienced and may continue to experience political, social and economic instability. The import or transit of natural gas is therefore subject to certain risks inherent in such countries including high inflation, volatile exchange rates, weak insolvency and creditor protection laws, social unrest, limitations on investments and on the import and export of assets, increases in taxes and excise duties, enforced contract renegotiations, nationalisation or renationalisation of assets, changes to commercial policies, monetary restrictions and loss or damage owing to political upheaval and/or conflict. All of these risks could adversely affect the business, financial condition and results of operations of the Group.

Risks related to the variability of weather and atmospheric conditions

Iren's business includes hydroelectric generation and, accordingly, Iren is dependent upon rainfall in the areas where its hydroelectric generation facilities are located. If there is a drought, the output of Iren's hydroelectric plants is depleted. At the same time, the electrical business is affected by atmospheric conditions such as average temperatures, which influence consumption. Significant changes in weather conditions from year to year may affect demand for natural gas and electricity, as in colder years the demand is normally higher and may also have a negative impact on the electric generation system in terms of performance of thermoelectric power plants and variability of wind farms production. Accordingly, the results of operations of the gas and electricity segment and, to a lesser extent, the comparability of results over different periods, may be affected by such changes in weather conditions. Furthermore, power plants and natural gas fields are exposed to extreme weather phenomena that could result in material disruption to the Issuer's operations and consequent loss or damage to properties and facilities. All of the above could adversely affect the Issuer's business, financial condition and results of operations.

Operational risks from ownership and management of power stations, waste management and distribution networks and plants

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, waste management assets and distribution networks and plants. These power stations and other assets are exposed to risk of malfunctions and/or interruption in service that can cause significant damages to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, adverse meteorological conditions, natural disasters, fire, terrorist attacks, sabotage, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. In particular, any such events could cause significant damage to the Group's property, plant and equipment and, in more serious cases, production capacity may be compromised. Furthermore, any of these risks could cause damage or destruction of the Group's facilities and, in turn, injuries to third parties or damage to the environment, along with ensuing lawsuits and penalties imposed by the relevant authorities. In addition, the Group's distribution networks are exposed to malfunctioning and service interruption risks which may be beyond its control and may result in increased costs. The Issuer's insurance coverage may prove insufficient to compensate fully for such losses.

Iren believes that its systems of prevention and protection within each operating area, which operate according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and insurance cover, enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its plants or networks. However, there can be no assurance that maintenance and spare parts' costs will not rise, that insurance products will continue to be available on reasonable terms or that any one event or series of events affecting any one or more plants or networks will not have an adverse impact on the Issuer's business, financial condition and results of operations.

Risks from compliance with environmental laws and regulations

Compliance with environmental laws, rules and regulations requires the Group to incur significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, performing clean-ups and obtaining permits. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. Any increase in such costs, unless promptly recovered, could have an adverse impact on the Group's business, financial condition and results of operations, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group may incur significant environmental expenses and liabilities

Risks of environmental and health and safety accidents and liabilities are inherent in many of the Group's operations. The Group may incur significant costs to keep its plants and businesses in compliance with the requirements imposed by various environmental laws and regulations (such as Law No. 68/2015 which has introduced into Italian legislation a number of new criminal offences related to environmental liabilities (so called "*ecoreati*")). Such laws and regulations required the Iren Group to adopt preventive or remedial measures and may influence the Group's business decision and strategy. Failure to comply with environmental requirements in the territories where the Group operates may lead to fines, litigation, loss of licences and temporary or permanent curtailment of operations.

Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented throughout the Group to ensure the safety of its operations are of a high standard, it is always possible that incidents such as blow-outs, spill-over, contamination and similar events will occur and result in damage to the environment, employees and/or local communities.

The Group has accrued risk provisions aimed at coping with existing environmental expenses and liabilities. Notwithstanding this, the Group may in the future incur significant environmental expenses and liabilities in addition to the amounts already accrued owing to: (i) unknown contamination; (ii) the results of ongoing or future surveys on the environmental status of certain of the Group's industrial sites, as required by applicable regulations on contaminated sites and (iii) the possibility that proceedings will be brought against the Group in relation to such matters. Any such increase in costs could have an adverse effect on the Group's business, financial condition and results of operations.

Risks relating to white certificates

Under the applicable legislation, the Group must achieve certain annual targets for energy saving, as determined by the decree of the Ministry of Economic Development for the four years from 2017 to 2020. Such targets are represented by a certain number of so-called "white certificates" which the Group must obtain. For this purpose, the Group continually invests in activities the development of which may lead to obtaining "white certificates", an energy efficiency improvement and a higher efficiency cogeneration development. If the Group is unable to obtain the sufficient number of "white certificates" to achieve the relevant annual target, it will need to purchase them on the market.

Furthermore, if it then fails to deliver the required number of “white certificates” to the ARERA, it will be subject to a penalty imposed by the ARERA, in addition to having to purchase the missing number of “white certificates”.

In the last few years, the market price of “white certificates” has significantly increased. The Group, in order to comply with its energy saving obligations, intends to produce “white certificates” directly and to buy them on the market (up to the amount needed to match the annual target). If the number of “white certificates” directly produced by the Group is lower than expected and/or if the price of “white certificates” continues to increase in the future, the Group will incur higher costs, which could adversely affect the business, financial condition and results of operations of the Group.

The risks relating to “white certificates” could also be heightened by the fact that, during the past few years, as a result of a change in interpretation of the relevant legislative provisions, a number of measures have been taken by the GSE (*Gestore dei Servizi Energetici* or Energy Services Operator), which is the public authority responsible for granting "white certificates", even though the Group has not been subject to any of these measures yet. Such measures included: (i) blocking the granting of "white certificates" for projects already approved; (ii) annulling projects approved months or years before (on the basis that those projects did not comply with applicable legislation); and (iii) annulling "white certificates" as a result of unfavourable findings following inspections (only for "white certificates" bought on the market and not for those directly produced).

However, on 10 July 2018, a new Ministerial Decree was published in the Italian Official Journal (“Decree 10 May 2018”). In particular, Decree 10 May 2018:

- establishes a maximum unit value for the tariff contribution, equal to €250 per white certificate, applicable starting from the sessions subsequent to 1 June 2018 and valid until the sessions valid for the fulfilment of the national quantitative targets established for 2020;
- establishes that the mechanism to determine the tariff contribution, determined by ARERA, shall take into account the prices of trades made on the organised GME (as subsequently defined) market in the obligation year in reference, as well as the prices of bilateral agreements, if less than €250;
- authorizes the short-selling of white certificates by the 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, white certificates not deriving from the implementation of energy efficiency projects, with a unit value equal to the difference between €260 and the value of the final tariff contribution for the year in reference. In any case, this amount cannot exceed €15. These "fictitious" certificates contribute to the fulfilment of the obligations imposed on the obliged subject, however they cannot be sold on the market nor are they entitled to reimbursement by tariff contribution (unless the obligated party is able to redeem the amount paid out through the delivery of “real” certificates), with the resulting loss.

Significant measures concerning the power of GSE with regard to energy efficiency projects have been enacted by means of Law No. 124 of 4 August 2017. In particular, Article 1, paragraph 89, which amended Article 42 of Legislative Decree No. 38 of 3 March 2011, states that (i) whenever the GSE carries out verification activities, or in the context of relevant verification and certification requests (“**RVCs**”), and discovers the non-compliance of the approved project to the regulations applicable at the time of its submission and (ii) the non-compliance does not derive from discrepancies between the submitted documents and the actual configuration of the project or from false documents or declarations, the GSE annuls the act by means of which the white certificates were granted. In any event, the effects of the annulment do not affect the white certificates already

granted. This recently enacted provision, which has an expressly retroactive effect, applies also to verification activities which have already been concluded.

Risks related to information technology

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. Information technology risk arises in particular from issues concerning the adequacy of these systems and the integrity and confidentiality of data and information, including their ability to withstand penetration by outsiders intent on extracting or corrupting information or disrupting business processes. The major operating risks connected with the IT system involve the availability of "core" systems. These include those of Iren Energia interfacing with the Power Exchange *(Borsa Elettrica)* and any accidental unavailability of this system could have considerable financial consequences connected with failure to submit energy sale or purchase offers. The continuous development of IT solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems all help to mitigate these risks. In addition, to limit the risk of activity interruption caused by a system fault, Iren has adopted hardware and software configuration for those applications that support critical activities, which are periodically subjected to efficiency testing. Specifically, the services provided by the Group's outsourcer include a disaster recovery service that is intended to guarantee system recovery within timeframes that are consistent with the critical relevance of the affected applications. Nevertheless, there can be no assurance that serious system failures, network disruptions or breaches in security will not occur and any such failure, disruption or breach may have a material adverse effect on the Issuer's business, financial condition or results of operations.

The Issuer is dependent on its subsidiaries to cover its operating expenses and dividend payments

As a holding company, among the Issuer's principal sources of funds are dividends from subsidiaries. The Issuer expects that dividends received from subsidiaries and other sources of funding available to the Issuer will continue to cover its operating expenses, including its obligations in respect of the Notes. However, the Issuer's subsidiaries have no obligation, 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. Those subsidiaries may at any time have other liabilities, actual or contingent, including indebtedness owing to trade creditors or to secured and unsecured lenders or to the beneficiaries of guarantees given by those subsidiaries. If the Group became insolvent, creditors of a subsidiary, including, without limitation, trade creditors, would be entitled to the assets (including revenues) of that subsidiary before any of those assets could be distributed upwards to its shareholders (i.e. the Issuer) upon liquidation or winding up. As a result, in a liquidation scenario the revenues generated by a subsidiary of the Issuer will first be applied to the pay that subsidiary's creditors rather than to satisfy the Issuer's obligations in respect of the Notes.

Risks relating to the implementation of the Group's strategic objectives

The Group intends to pursue a strategic plan of growth and development, in particular in the natural gas sale and distribution, electricity sales, waste collection, district heating and integrated water services sectors. The strategic plan contains, and was prepared on the basis of, a number of critical assumptions and estimates relating to future trends and events that may affect the sectors in which the Group operates, such as estimates of customer demand and changes to the applicable regulatory framework. There can be no assurance that the Group will achieve the objectives under its strategic plan. For example, if any of the events and circumstances taken into account in preparing the strategic plan do not occur, the future business, financial condition, cash flow and/or results of operations of the Group could be different from those envisaged and the Group may not achieve its

strategic plan, or do so within the expected timeframe, which could adversely affect the business, results of operations and financial condition of the Group.

Group's future attempts to acquire additional businesses and its ability to integrate those businesses

The Issuer's business strategy involves acquisitions and investments in its core businesses. The success of this strategy depends in part on its ability to identify successfully and acquire suitable companies and other assets on acceptable terms and, once they are acquired, on their successful integration into the Group's operations, as well as its ability to identify suitable strategic partners and conclude satisfactory terms with them. Any inability to implement its strategy or a failure in any particular implementation of its strategy could have an adverse impact on the Group's business, financial position and results of operations.

Risks relating to joint ventures and partnerships

In recent years, the Group has entered into various partnerships. The Group may enter into further joint ventures or partnerships in the future with the same or other parties. The possible benefits or expected returns from such joint ventures and partnerships may be difficult to achieve or may prove to be less valuable than the Group currently estimates. Furthermore, such investments are inherently risky as the Group may not be in a position to exercise full influence over the management of the joint venture company or partnership and the business decisions taken by it. In addition, joint ventures and partnerships bear the risk of difficulties that may arise when integrating people, operations, technologies and products. All of the above circumstances could have a material adverse effect on the Group's business, financial condition and results of operations. Although the Group aims to participate only in ventures in which its interests are aligned with those of its partners, it cannot guarantee that its interests will remain so aligned. Although strategic joint ventures are intended to be stable operational structures, contracts governing such projects typically include provisions for terminating the venture or resolving deadlock. The dissolution of business ventures can be both lengthy and costly and the Group cannot give any assurance that any strategic alliances will endure for a period of time compatible with its strategy.

Group's future business performance is partly dependent on its ability to win new contracts and to renew and extend existing contracts

With regard to the business in which the Group operates in competition, the Group's success depends on its ability to retain and renew existing customers and contracts, to maintain volumes under existing contracts and to obtain and successfully negotiate new or expanded customer contracts. The Group's current and prospective customers may move to competitors, cease operations, terminate contracts with the Group or increase pricing pressure as a result of a merger or acquisition, changes in strategy or product offerings, financial or operational constraints, or for strategic reasons cease to require waste management or other services. The Group's material customer contracts generally expire after one year and contain termination provisions that allow customers to terminate their agreement with the Group for a number of reasons including an event of force majeure that prevents the Group from providing services or its customers from acquiring services, a failure to perform to benchmark service levels or a material breach of contract not remedied within a certain period or that is incapable of remedy. Termination of these contracts could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to legal proceedings

The Group is a defendant in a number of legal proceedings (including civil, labour, governmental, administrative, antitrust and tax proceedings), which are incidental to its business activities and which

Iren does not consider to be material. Iren made provision in its consolidated financial statements for legal proceedings which amounted to €108,136 thousand as at 31 December 2018. The Group may, from time to time, be subject to further litigation and to investigations by taxation and other authorities. The Group is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In addition, it cannot be ruled out that the Group will in future years incur significant losses in addition to amounts already provided for in connection with pending legal claims or future claims or investigations, owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of such proceedings, claims or investigations; (iii) the emergence of new evidence and information; and (iv) the underestimation of likely future losses. Adverse outcomes in existing or future proceedings, claims or investigations could therefore have an adverse effect on the business, financial condition and results of operations of Iren.

Risks relating to potential disputes with employees

Disputes with the Group's employees may arise either in the ordinary course of the Group's business or from one-off events, such as mergers and acquisitions, or as a result of employees moving to an incoming concession holder upon the expiry or termination of a concession held by the Group. Any material dispute could give rise to difficulties in supplying customers and maintaining its networks, which could in turn lead to a loss of revenues and prevent the Group from implementing its business strategy. This could adversely affect the business, results of operations and financial condition of the Group.

Risks relating to skills and expertise of the Group's employees

The Group's ability to operate its business effectively depends on the skills and expertise of its employees. If the Group loses any of its key personnel or is unable to recruit, retain and/or replace sufficiently qualified and skilled personnel, it may be unable to implement its business strategy, which could in turn adversely affect the business, results of operations and financial condition of the Group.

Risk relating to any breaches of the organisation and management model

The Group's risk management system is designed to assist with the assessment, avoidance and reduction of risks which jeopardise its business. There are, however, inherent limitations on the effectiveness of any risk management system. These limitations include the possibility of human error and the circumvention or overriding of the system. Accordingly, any such system can only provide reasonable, not absolute, assurances of achieving the desired objectives. For example, risks include possible instances of manipulation (acceptance or giving of advantages, fraud, deception, corruption or other infringements of the law). Italian Legislative Decree No. 231/2001 ("**Decree 231/2001**") imposes direct liability on a company for certain unlawful actions taken by its executives, directors, agents and/or employees. The list of offences under Decree 231/2001 currently covers, among other things, bribery, theft of public funds, unlawful influence of public officials, corporate crimes (such as false accounting), fraudulent acts and market abuse, as well as health and safety and environmental hazards. In order to reduce the risk of liability arising under Decree 231/2001, the Issuer and each of its subsidiaries have adopted their own organisation, management and supervision models (the "**Models**") to ensure the fairness and transparency of their business operations and corporate activities and provide guidelines to their management and employees to prevent them from committing offences. The Issuer and each of its subsidiaries have also appointed their own supervisory body ("*Organismo di Vigilanza*") to oversee the functioning and updating of, and compliance with, the Models.

Notwithstanding the adoption of these measures, the Group could still be found liable for the unlawful actions of its officers or employees if, in the relevant authority's opinion, Decree 231/2001 has not been complied with. This could lead to a suspension or revocation of concessions currently held by the Group, a ban from participating in future tenders and/or an imposition of fines and other penalties, all of which could adversely affect the business, results of operations and financial condition of the Group.

Credit risk

Credit risk represents Iren's exposure to potential losses that may be incurred if a commercial or financial counterparty fails to meet its obligations. The main credit risks for the Group arise from trade receivables from the sale of electrical energy, district heating (*teleriscaldamento*), gas and the provision of water and waste management services. The Group seeks to address this risk with policies and procedures regulating the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance company guarantees and the implementation of suitable recovery measures. Notwithstanding an indemnification mechanism in the event of non-payment by customers and even though the Group has set aside provisions in its balance sheet, there can be no assurance that the steps taken by the Group to manage and monitor credit risks are effective to limit the Group's exposure to losses, which could adversely affect the business, results of operations and financial condition of the Group.

The Group is exposed to risks associated with fluctuations in the prices of certain commodities

The Group is exposed to price risk, including related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are affected by fluctuations in the price of such energy commodities directly or through indexing formula. These fluctuations affect Iren's results both directly and indirectly, through indexing mechanisms contained in pricing formulas. Moreover, because some commodity prices are quoted in U.S. dollars, the Group is also exposed to exchange rate risk. Iren must manage risks associated with the misalignment between the index-linking formulae governing Iren's purchase price for gas and electricity and the index-linking formulae linked to the price at which Iren may sell these commodities.

Iren is committed to limiting its exposure to commodity price risk through a limited use of derivative instruments, both by aligning the indexing of the commodities purchased and sold and by exploiting its various business segments. In addition, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy production and market supply with demand from Group customers.

Nonetheless, Iren has not fully eliminated its exposure to substantial variations in fuel, raw material or electricity prices, or any significant interruption in supplies. Any failure to manage the risk of significant fluctuations in the price of commodities properly could have a negative impact on the Issuer’s business, financial condition and results of operations.

Risks relating to changes in tariff levels

The Group operates, *inter alia*, in the water, waste, gas and energy sectors and is exposed to a risk of variation in the tariffs applied to end users. Applicable tariffs payable by end users are determined and adjusted by regulators (such as the ARERA) and may be subject to variations as a consequence of periodic revisions resulting from investigations by the relevant authority, concerning, *inter alia*, efficiency improvements and the actual implementation of planned investments by the companies managing the related services. Uncertainties as to how to establish tariffs (including any increase or decrease, as the case may be), partly as a consequence of changes in related laws and regulations,

could have an adverse impact on the business, financial condition and results of operations of the Iren Group. Current regulation on one hand confirms that tariffs are not exposed to energy volumes and on the other introduces longer (tariff and weighted average cost of capital or WACC) regulatory periods, as well as a new WACC methodology to stabilise fluctuations in interest rates and inflation.

Interest rate risk

The Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The Group's strategy is aimed at limiting exposure to the risk of interest rate volatility, by maintaining at the same time a low cost of funding. In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of hedging. At 31 December 2018, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with an insignificant impact, they also meet the formal requirements for the application of hedge accounting. The total fair value of the above interest rate hedging contracts, obtained from netting the positive and negative positions, was a negative €74,965 thousand at 31 December 2018.

However, there can be no assurance that the hedging policy adopted by the Group, which is designed to minimise any losses connected to fluctuations in interest rates in the case of floating rate indebtedness by transforming them into fixed rate indebtedness, will actually have the effect of reducing any such losses. To the extent it does not, this may have an adverse effect on the Issuer's business, financial condition and results of operations.

The loan agreements entered into by the Issuer and Group companies contain restrictive covenants

As of the date of this Base Prospectus, a significant portion of the Group's net borrowings include loan agreements which, in line with market practice, provide for certain restrictive covenants, such as *pari passu* ranking clauses, negative pledges, change of control clauses and limitations on transactions outside the ordinary course of business and the incurrence of additional indebtedness exceeding specified thresholds. In addition, covenants such as the negative pledge and change of control clauses and covenants requiring the maintenance of particular financial ratios may limit the Group's ability to acquire or dispose of assets or incur new financial indebtedness. Should market conditions deteriorate or fail to improve, or the Group's operating results decrease in the future, the Issuer may have to request amendments or waivers to its covenants and restrictions. However, there can be no assurance that the Issuer will be able to obtain such relief. A breach of any of these covenants or restrictions could result in a default and acceleration that would, subject to certain thresholds, permit its creditors to declare all amounts borrowed to be due and payable, together with accrued and unpaid interest, and the commitments of the relevant lenders to make further extensions of credit could be terminated. The Issuer and the Group's future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest, or refinance existing borrowings depends on future business performance that is subject to economic, financial, competitive and other factors. All of the above could have an adverse impact on the business, financial condition and results of operations of the Group.

Risks relating to changes in the original terms and conditions of long-term contracts

The initial circumstances or conditions under which the Issuer or the companies belonging to the Group may enter into a long-term contract may change over time and this, in turn, may result in adverse economic consequences. Such changes vary in nature and may or may not be readily foreseeable. The longer the term of the contracts, the more these constraints on the Issuer or the companies belonging to the Group are exacerbated. Failure to react successfully, rapidly and

appropriately to new situations by reflecting such changes in the original conditions of the long-term contracts could have a negative impact on the business, results of operations and financial condition of the Group.

Funding and liquidity risks

Liquidity risk is the risk that new financial resources are not available (funding liquidity risk) or that the Issuer is unable to convert assets into cash on the market (asset liquidity risk), meaning that it may not be able to meet its payment commitments. Iren's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. Borrowing requirements of the Group's companies are pooled by the Group's central finance department in order to optimise the use of financial resources and manage net positions and the funding of portfolio consistently with management's plans while maintaining a level of risk exposure within prescribed limits. Iren's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources. However, these measures may not be sufficient to protect the Group fully from such risk. If insufficient sources of financing are available in the future for any reason, the Group may be unable to meet its funding requirements, which could materially and adversely affect its business, financial condition and results of operations.

Risks related to the adverse financial and macroeconomic conditions within the global markets

From the second half of 2007 until the beginning of 2014, disruption in the global credit markets created increasingly difficult conditions in the financial markets. During this period, global credit and capital markets experienced unprecedented volatility and disruption and business credit and liquidity tightened in much of the world. Although a global economic recovery has been recorded in recent years, various concerns remain regarding the ability of certain EU member states and other countries to service their sovereign debt obligations. The significant economic stagnation in certain countries in the Eurozone, including Italy, in part due to the effects of the sovereign debt crisis and corresponding austerity measures in these markets, has added to these concerns. The measures so far implemented to reduce public debt and fiscal deficits have already resulted in lower or negative GDP growth and high unemployment rates in these countries. If the fiscal obligations of these or other countries continue to exceed their fiscal revenue, taking into account the reactions of the credit and swap markets, or if their banking systems further destabilise, the ability of such countries to service their debt in a cost efficient manner could be impaired.

In response to this crisis, at European level, assistance packages were granted to certain Eurozone countries. Measures were also implemented to recapitalise certain European banks, encourage greater long-term fiscal responsibility on the part of the individual Member States of the European Union, bolster market confidence in the Euro as well as the ability of Member States to service their sovereign debt and to increase liquidity and reduce the cost of funding. Improved consumer confidence, supported by the above measures has led to moderate growth in consumption.

The continued uncertainty over the outcome of various international financial support programmes, the possibility that other countries might experience similar financial pressures, investor concerns about inadequate liquidity or unfavourable volatility in the capital markets, lower consumer spending, higher inflation or political instability could further disrupt the global financial markets and might adversely affect the economy in general. In addition, the risk remains that a default of one or more countries in the Eurozone, the extent and precise nature of which are impossible to predict, could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly

trigger another global recession. All of these risks could adversely affect the business, results of operations and financial condition of the Group.

Changes to the overall economy in the Group's principal markets could have a significant adverse effect on the Group's businesses and profitability

The economy in Italy, the Group's principal market, has in recent years experienced long periods of weak growth and stagnation, as well as periods of recession. It is expected that, for the near future, demand for energy will remain substantially below the level achieved before the economic crisis. In addition, the decrease in demand for energy has put pressure on sales margins due also to greater competition, particularly in the natural gas sector. If demands continue to be sluggish or if there is another reversal in demand without corresponding adjustments in the margins charged by the Group on its sales or without an increase in its market share, then the revenues in most of the Group's business areas would be reduced and its future growth prospects would be limited. This could adversely affect Group's business, results of operations and financial condition.

Market and political uncertainty regarding the UK's exit from the European Union

In March 2017, the United Kingdom gave notice of its intention to withdraw from the European Union pursuant to Article 50 of the Treaty on the European Union, starting a two-year period of negotiations with the EU on the terms of an agreement on the UK's withdrawal and of its future relationship with the EU (the so-called "**withdrawal agreement**"). As part of the withdrawal agreement that was subsequently negotiated between the British government and the EU, a transitional period was agreed in principle, extending the application of EU law and providing for continuing access to the EU single market until the end of 2020. However, the proposed withdrawal agreement is subject to ratification by the UK Parliament, the European Parliament and the European Council and, so far, the UK Parliament has rejected it. As a result, the UK and the European Council have agreed to extend the date of the UK's exit from the EU until 31 October 2019. If the parties fail to agree the terms of any withdrawal agreement within this timeframe, the UK is currently set to leave the EU on 31 October 2019 and, from that date, all EU treaties will cease to apply to it, unless the European Council, in agreement with the UK, unanimously decides to extend this period once again or the UK decides to revoke Article 50 and remain in the EU.

There are a number of uncertainties in connection with the UK's exit from the EU (so-called "**Brexit**"), including the timing and the future of the UK's relationship with the EU. In particular, it remains uncertain whether any withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 31 October 2019 deadline. In addition, the UK's decision to withdraw from the EU has also led to concerns that it might give rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict the access to capital of the Issuer.

Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that Brexit and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on the Issuer. As such, such matters could adversely affect the Issuer's business, financial condition and results of operations.

Risks relating to the Notes

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 the light of its own circumstances. In particular, each potential investor should:

- have 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;
- have 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;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

In addition, where a Clean-up Call is applicable (i.e. redemption exercisable by the Issuer conditionally upon the aggregate outstanding principal amount of the Notes of a Series being less than or equal to a specified percentage of the aggregate of the initial principal amount of each Tranche of that Series), there is no obligation on the Issuer to inform investors if and when the

relevant threshold has been (or is about to be) reached and the Issuer's right to redeem will be exercisable even if, immediately prior to the serving of a notice of exercise of the call option, the Notes may have been trading significantly above par, thereby potentially resulting in a loss of capital invested.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the relevant Notes.

Change of control

The Notes may contain provision for a put option upon the occurrence of certain change of control events relating to the Issuer, which will entitle the Noteholders under certain circumstances to require the Issuer to redeem all outstanding Notes at 100 per cent. of their principal amount. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

Fixed Rate Notes

A holder of Fixed Rate Notes is exposed to the risk that the price of those Notes falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of Fixed Rate Notes is fixed during the life of such Notes or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such Notes moves in the opposite direction. If the Market Interest Rate increases, the price of such Notes typically falls, until the yield of such Notes is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of Fixed Rate Notes typically increases, until its yield is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

Floating Rate Notes

Notes with variable interest are subject to fluctuations in interest rate levels and can be volatile investments. In particular, there is no assurance that the amount of interest payable on such Notes will remain at any particular level (unless it is subject to a floor). Furthermore, if they are structured to include caps or floors, or a combination of both or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to a constant maturity swap rate (defined as the "CMS Rate" in "*Terms and Conditions of the Notes*"). Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;

- the CMS Rate may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- If they are structured to include caps or floors, or a combination of both or other similar related features, the effect of changes in the CMS Rate on interest payable is likely to be magnified; and
- the timing of changes in the CMS Rate may affect the actual yield to investors, even if the average level is consistent with their expectations.

Inverse Floating Rate Notes

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

Fixed to Floating Rate Notes or Floating to Fixed Rate Notes

Fixed to Floating Rate Notes may bear interest at a rate which, either at the Issuer's election or otherwise, is converted from a fixed rate to a floating rate or, in the case of Floating to Fixed Rate Notes, from a floating rate to a fixed rate. Switching of the interest rate is likely to affect the market value of those Notes, since it may result in a lower rate, especially where switching occurs at the Issuer's option. If switching from a fixed rate to a floating rate occurs, the spread on the Fixed to 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 switching from a floating rate to a fixed rate occurs, the fixed rate may be lower than then prevailing rates of the Issuer's other Fixed Rate Notes.

Notes linked to or referencing benchmarks

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR, LIBOR and the CMS rate) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are still to be implemented whilst others are already effective, including (at EU level) the Benchmarks Regulation, which applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, the Regulation:

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

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may:

- discourage market participants from continuing to administer or contribute to the "benchmark";
- trigger changes in the rules or methodologies used in the "benchmark" or
- 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" (including EURIBOR, LIBOR and the CMS rate).

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".

Notes linked to or referencing 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, as it is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions. This may cause LIBOR to perform differently compared to 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 Notes that 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 Conditions, this may:

- 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
- 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.

Notes issued at a substantial discount or premium

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

Denominations and restrictions on exchange for Definitive Notes

Notes may be issued in denominations comprising (i) a minimum denomination of €100,000 or its equivalent in another currency (the "**Minimum Denomination**") and (ii) amounts which are greater than the Minimum Denomination but which are integral multiples of a smaller amount (such as €1,000). Where this occurs, Notes may be traded in amounts in excess of the Minimum Denomination that are not integral multiples of the Minimum Denomination. In such a case, a holder who as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination will 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 so as to hold an amount equal to an integral multiple of the Minimum Denomination.

Notes issued as "Green Bonds" may not be a suitable investment for all investors seeking exposure to green assets

There is currently no clear definition (whether legal, regulatory or otherwise) nor any market consensus setting out what constitutes, a "green" or "sustainable" or equivalently-labelled project or the precise attributes required for a particular project to be so defined, nor can any assurance be given that any such definition or consensus will develop over time. As a result, prospective investors who intend to invest in the Green Bonds issued under the Programme must determine for themselves the relevance of the description of the use of proceeds in this Base Prospectus and the Final Terms for the purposes of any investment by them in Green Bonds, together with any other investigation that they deem necessary. In particular, no assurance is given to investors that the Eligible Green Projects and the Eligibility Criteria (as defined in "*Use of Proceeds*" below) will at any time meet investor expectations regarding "green bond", "green" or "sustainable" projects or other equivalently-labelled projects. In addition, although at the time of issue of any Green Bonds the Issuer may agree to certain obligations relating to use of proceeds and reporting (see ''*Use of Proceeds"*), it would not be an event of default under the Notes if the Issuer failed to comply with any such obligations.

In connection with the issue of "Green Bonds" under the Programme, the Issuer may request consultants and/or institutions with recognised expertise in environmental sustainability to issue a second-party opinion confirming that the Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for green projects set out in the Green Bond Principles (GBP) of the International Capital Market Association (ICMA) and/or that the Eligible Green Projects comply with the Eligibility Criteria (any such opinion, a ''**Second-party Opinion**''). In relation to the Second-party Opinion, prospective investors should be aware that:

- the Second-party Opinion is not part of this Base Prospectus and will not be incorporated in it at any later date;
- Noteholders have no recourse against the provider of any Second-party Opinion;
- the Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes or the Eligible Green Projects;
- it will not constitute a recommendation to buy, sell or hold securities and will only be current as at the date it is released;
- prospective investors must determine for themselves its relevance for the purpose of any investment in Green Bonds; and
- no assurance or representation is given to investors that it will reflect any present or future criteria or guidelines with which investors or their investments are required to comply.

Where any Green Bonds 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), neither the Issuer nor any other person gives any assurance that such listing or admission satisfies any criteria or guidelines which any investor or its investments are required to comply with at any time. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another.

Risks related to Notes generally

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

Change of law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, although certain provisions relating to the Notes are subject to compliance with certain mandatory provisions of Italian law, such as those applicable to Noteholders' meetings and to the appointment and role of the Noteholders' representative (*rappresentante comune*). No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Base Prospectus. See also "*Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances*" below.

Decisions at Noteholders' meetings bind all Noteholders

The Agency Agreement contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the terms and conditions relating to the Notes. As summarised in Condition 17(a) (*Meetings of Noteholders*) of the Terms and Conditions of the Notes, these provisions permit defined majorities at those meetings to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the relevant proposal. Possible modifications to the Notes approved by meetings of Noteholders include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions. Any such modification may have an adverse impact on Noteholders' rights and on the market value of the Notes

Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances

As mentioned in "– *Change of law or administrative practice*" above, the provisions relating to Noteholders' meetings (including quorums and voting majorities) are subject to compliance with certain mandatory provisions of Italian law, which may change during the life of the Notes. In addition, as currently drafted, the rules concerning Noteholders' meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders' meetings where the issuer is an Italian listed company. As at the date of this Base Prospectus, the Issuer is a listed company but, if its shares cease to be listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders' meetings will be different (particularly in relation to the rules relating to the calling of meetings, participation by Noteholders at meetings, quorums and voting majorities). In addition, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-laws. Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings contained in the Agency Agreement and summarised in the Conditions will correctly reflect mandatory provisions of Italian law applicable to Noteholders' meetings at any future date during the life of the Notes.

Withholding under U.S. Foreign Account Tax Compliance Act

Certain non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments made after 31 December 2016 pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). Whilst the Notes are held through the ICSDs, in all but the most remote circumstances, it is not expected FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than an ICSD) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is

unable to receive payments free of FATCA withholding. It may also affect payments to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms or other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any local law intended to implement an inter-governmental agreement, if applicable) and provide each custodian or intermediary with any information, forms or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligation under the Notes is discharged once it has paid the ICSDs and the Issuer therefore has no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them.

Reliance on Euroclear and Clearstream, Luxembourg

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Conflicts of interests involving Paying Agents and the Calculation Agent

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

Risks related to the market generally

Set out below is a brief description of the principal market risks with respect to an investment in the Notes.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily

or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, the Notes might not be listed on a stock exchange or admitted to trading on any securities market or other trading facility and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market price of the Notes may be adversely affected.

The liquidity and market value of the Notes may also be significantly affected by factors such as variations in the Group's annual and interim results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

Delisting of Notes

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

Exchange rate risks and exchange controls

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. In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. Where an issue of Notes is rated, investors should be aware that:

- such rating will reflect only the views of the rating agency and 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 rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and

- notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

Furthermore, in general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation. 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.

Transfers of Notes may be restricted

The ability to transfer Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

Legal investment considerations may restrict certain investments

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

INFORMATION INCORPORATED BY REFERENCE

The following information is incorporated in, and forms part of, this Base Prospectus:

1. the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2018 contained in the Issuer's Annual Report at 31 December 2018;
2. the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2017 contained in the Issuer's Annual Report at 31 December 2017;
3. the unaudited consolidated interim financial information of the Issuer as at and for the three months ended 31 March 2019 contained in the Issuer's Interim Report at 31 March 2019; and
4. the terms and conditions relating to Notes issued under the Programme since 10 October 2017, as set out in the Issuer's base prospectus dated 10 October 2017,

in the case of 1 to 3 above, together with the accompanying notes and, where applicable, auditors' reports.

Any statement contained in this Base Prospectus or in any of the above documents incorporated by reference in this Base Prospectus shall be deemed to be modified or superseded by any statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive.

The financial statements referred to above are available both in the original Italian and in English. Only the English language versions are incorporated by reference in, and form part of, this Base Prospectus. The English language versions are direct translations from the Italian language documents but, in the event of any inconsistencies or discrepancies between the Italian and English language versions, the original Italian versions will prevail.

Access to documents

Each of the above documents have been previously filed with the Central Bank of Ireland and can be accessed on the following addresses on the Issuer's website:

- Annual Report at 31 December 2018:

  https://www.gruppoiren.it/documents/21402/379940/Annual+Report+at+31+december+2018.pdf/58ede78e-9e95-4746-b35d-387c1d472ca8

- Annual Report at 31 December 2017:

  https://www.gruppoiren.it/documents/21402/91033/Annual+Report+at+31+december+2017_DEF.pdf/e7215f58-0c07-48b4-9696-4fa003fc58b3

- Interim Report at 31 March 2019:

  https://www.gruppoiren.it/documents/21402/385917/relazione+trimestrale+consolidata+1Q_ENG/4aaa7dc7-65a4-47b6-85c5-6ecd6f6ee432

- Base prospectus relating to the Programme dated 10 October 2017:

  https://www.gruppoiren.it/documents/21402/91001/Base+prospectus_10_10_2017/350ce712-9648-43c6-a8d4-796e95b63d6e

In addition, the Issuer will provide, without charge to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all the documents containing information incorporated by reference. Requests for such documents should be directed to

the Issuer at its offices set out at the end of this Base Prospectus. Such documents will also be available, without charge, at the specified office of the Fiscal Agent.

Websites (including the Issuer's website) and their content do not form part of this Base Prospectus.

Cross-reference list

The following table shows where the information incorporated by reference in this Base Prospectus can be found in the above-mentioned documents. Information contained in those documents other than the information listed below does not form part of this Base Prospectus and is either not relevant or covered elsewhere in this Base Prospectus.

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FORMS OF THE NOTES

Introduction

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in a new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Eurosystem eligibility

Notes in NGN form are intended to be in a form that allows such Notes to be in compliance with requirements for their recognition as eligible collateral for monetary policy and intra-day credit operations of the central banking system for the euro (the "**Eurosystem**"), subject to certain other criteria being fulfilled (including denomination in euro and listing on an EU regulated market or on a non-regulated market accepted by the European Central Bank).

TEFRA

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note without interest coupons, interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership, *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Save as set out below, where interests in the Permanent Global Note are exchangeable for Definitive Notes, such Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where exchange may occur only in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000, plus (2) integral multiples of €1,000, *provided that* such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without interest coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without interest coupons, interests in which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specify the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note, without interest coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Save as set out below, where interests in the Permanent Global Note are exchangeable for Definitive Notes, such Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where exchange may occur only in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000, plus (2) integral multiples of €1,000, *provided that* such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"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 in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, together with the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions relating to the Notes while in Global Form" below.

1. **Introduction**

(a) ***Programme***: Iren S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €2,500,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) ***Final Terms***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") and the terms and conditions applicable to any such Tranche are these terms and conditions (the "**Conditions**"), together with the relevant Final Terms.

(c) ***Agency Agreement***: The Notes are the subject of an amended and restated issue and paying agency agreement dated 17 July 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) ***The Notes***: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office each of the Paying Agents, the initial Specified Offices of which are set out below.

(e) ***Summaries***: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons if any (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" means the amount specified as such in the relevant Final Terms;

"acting in concert" means pursuant to an agreement, arrangement or understanding (whether formal or informal), whereby two or more Persons co-operate, through the acquisition or holding of voting rights exercisable at a shareholders' meeting of an entity by any of them, either directly or indirectly, for the purposes of obtaining or consolidating control of such entity;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**BMR**" means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (as amended or superseded from time to time);

"**Business Day"** means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, means one or more of the conventions set out below and specified as being applicable to that date in the relevant Final Terms and, if so specified, may mean different conventions in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**Not Applicable**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" means the amount specified as such in the relevant Final Terms;

a "**Change of Control**" shall be deemed to occur if:

(i) Permitted Holders hold at least 30 per cent. of the share capital of the Issuer and any Person or group of Persons other than Permitted Holders, acting in concert, at any time holds or obtains more than 50 per cent. of the voting rights normally exercisable at the Issuer's ordinary and extraordinary shareholders' meetings; or

(ii) Permitted Holders hold less than 30 per cent. of the share capital of the Issuer and any Person or group of Persons, acting in concert (whether or not they include Permitted Holders), at any time holds or obtains more than 50 per cent. of the voting rights normally exercisable at the Issuer's ordinary and extraordinary shareholders' meetings;

"**Change of Control Notice**" means a notice from the Issuer to Noteholders describing the relevant Change of Control Put Event and indicating the relevant Put Option Exercise Period and Optional Redemption Date (Put);

a "**Change of Control Put Event**" shall be deemed to occur if:

(i) a Change of Control occurs;

(ii) a Rating Event occurs; and

(iii) the relevant Rating Agency announces publicly or confirms in writing to the Issuer that the Rating Event resulted, in whole or in part, from the occurrence of the Change of Control;

a "**Clean-up Call Event**" shall be deemed to have occurred if, at any time, Notes representing at least the Clean-up Call Threshold have been redeemed by the Issuer or purchased by the Issuer or any of its Subsidiaries and, in each case, have been cancelled in accordance with Condition 10(i) (*Cancellation*);

"**Clean-up Call Threshold**" means, in relation to the aggregate principal amount of (i) the Notes of the relevant Series originally issued and (ii) any further Notes of the same Series issued pursuant to Condition 18 (*Further Issues*), an amount expressed as a percentage of such aggregate principal amount and specified as such in the relevant Final Terms;

"**CMS Rate**" means 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 Relevant 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 major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five major banks 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 major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent;

"**Consolidated EBITDA**" means, for any Financial Period, the sum of the Issuer's total revenues less operating expenses, on a consolidated basis and as shown in, or determined by reference to, the Issuer's latest published audited consolidated annual financial statements;

"**Consolidated Total Assets**" means the consolidated total assets of the Issuer, as shown in the Issuer's latest published audited consolidated annual financial statements;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins, divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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 so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

"**D_1**" is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

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

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

where:

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

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Decree No. 239**" means Legislative Decree No. 239 of 1 April 1996 and related regulations of implementation, as amended, supplemented and/or re-enacted from time to time;

"**Designated Maturity**" means:

(i) where the relevant Final Terms specify that Screen Rate Determination is applicable:

(A) for the purposes of Linear Interpolation (if specified in those Final Terms as applicable in respect of an Interest Period), the period of time designated in the Reference Rate; or

(B) if CMS Rate is specified as the Reference Rate, the period or periods specified as such in those Final Terms; or

(ii) where the relevant Final Terms specify that ISDA Determination is applicable, the period or periods specified as such in those Final Terms;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, (i) its principal amount or (ii) such other amount expressed as an amount due in respect of each Calculation Amount represented by such Note, as specified in the relevant Final Terms;

"**Early Redemption Date**" means the date specified in any notice to redeem the Notes given by the Issuer pursuant to Condition 10(b) (*Redemption for tax reasons*), which date shall fall:

(i) at any time if the interest due from (and including) the previous Interest Payment Date to (but excluding) such date is required to be calculated:

(C) otherwise than in accordance with the Floating Rate Note Provisions for the whole period; or

(D) in accordance with the Floating Rate Note Provisions for part of the period but otherwise than in accordance with the Floating Rate Note Provisions for the concluding part of that period; or

(ii) on an Interest Payment Date if the interest due from (and including) the previous Interest Payment Date to (but excluding) such date is required to be calculated:

(A) in accordance with the Floating Rate Note Provisions for the whole period; or

(B) otherwise than in accordance with the Floating Rate Note Provisions for part of the period but in accordance with the Floating Rate Note Provisions for the concluding part of that period,

subject in each case to compliance with the minimum and maximum periods of notice specified in Condition 10(b) (*Redemption for tax reasons*);

"**Early Termination Amount**" means, in respect of any Note, (i) its principal amount or (ii) such other amount expressed as an amount due in respect of each Calculation Amount represented by such Note, as specified in the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro-zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other Person that takes over the administration of that rate), based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount, subject in each case to any early redemption, repayment, purchase and/or cancellation;

"Financial Period" means each year ended 31 December or such other financial period to which the Issuer's annual financial statements may from time to time relate;

"**Fixed Coupon Amount**" means the amount specified as such in the relevant Final Terms;

"**Fixed Rate**" means, in respect of any Inverse Floating Rate Notes, the rate of interest expressed as a percentage per annum and specified as such in the relevant Final Terms;

"**Fixed Rate Interest Period(s)"** means:

(i) in the case of Fixed to Floating Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Interest Commencement Date to, but excluding, the Switch Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the Interest Commencement Date to, but excluding, the first Switch Date; and

(2) each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date; or

(ii) in the case of Floating to Fixed Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Switch Date to, but excluding, the Maturity Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the first Switch Date to, but excluding, the second Switch Date; and

(2) following the second Switch Date, each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date;

"**Fixed Rate Note Provisions**" means the provisions contained in Condition 6 (*Fixed Rate Note Provisions*);

"**Floating Rate Interest Period(s)**" means:

(i) in the case of Floating to Fixed Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Interest Commencement Date to, but excluding, the Switch Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the Interest Commencement Date to, but excluding, the first Switch Date; and

(2) each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date; or

(ii) in the case of Fixed to Floating Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Switch Date to, but excluding, the Maturity Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the first Switch Date to, but excluding, the second Switch Date; and

(2) following the second Switch Date, each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date;

"**Floating Rate Note Provisions**" means the provisions contained in Condition 7 (*Floating Rate and Inverse Floating Rate Note Provisions*);

"**Fully Consolidated Subsidiary**" means any Subsidiary whose financial statements are or are required (by law or the applicable accounting principles) to be fully consolidated on a line-by-line basis in the consolidated financial statements of the Issuer;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means any indebtedness (whether being principal, premium or interest) of any Person for money borrowed or raised;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" means the date or dates specified as such in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Inverse Rate**" means:

(i) if Screen Rate Determination is specified in the relevant Final Terms as the manner in which it is to be determined, the Reference Rate (or, where applicable, the arithmetic mean thereof) determined in accordance with Condition 7(c) (*Screen Rate Determination*); or

(ii) if ISDA Determination is specified in the relevant Final Terms as the manner in which it is to be determined, the ISDA Rate determined in accordance with Condition 7(d) (*ISDA Determination*);

"**Investment Grade Rating**" means any credit rating assigned by a Rating Agency which is, or is equivalent to any of the following categories:

(i) with respect to S&P and Fitch, from and including AAA to and including BBB-;

(ii) with respect to Moody's, from and including Aaa to and including Baa3,

or, in each case, any equivalent successor categories;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**LIBOR**" means, in respect of any specified currency and any specified period, the London inter-bank offered rate for that currency and period displayed on the appropriate page (expected to be Reuters screen page LIB0R01 or LIB0R02) on the information service which publishes that rate;

"**Margin**" means an amount expressed as a percentage, as specified in the relevant Final Terms;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 10 per cent. or more of the Issuer's Consolidated

EBITDA, as determined by reference to the Issuer' latest published audited consolidated annual financial statements and the latest annual financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries);

"**Maturity Date**" means the date specified as such in the relevant Final Terms;

"**Maximum Rate of Interest**" means, where applicable in respect of any Note, the rate specified as such in the relevant Final Terms;

"**Maximum Redemption Amount**" means, in respect of any Note, an amount specified as such in the relevant Final Terms;

"**Minimum Rate of Interest**" means, in respect of any Note, a rate of zero per cent. per annum or such other rate as is specified in the relevant Final Terms;

"**Minimum Redemption Amount**" means, in respect of any Note, an amount specified as such in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note:

(i) its principal amount;

(ii) such other amount expressed as an amount due in respect of each Calculation Amount represented by such Note, as specified in the relevant Final Terms; or

(iii) if the Final Terms specify that Issuer Call and Make Whole Amount are applicable, an amount calculated by the Calculation Agent equal to the higher of:

(A) the principal amount of such Note; and

(B) the sum of the present values of the principal amount of such Note and the Remaining Term Interest on such Note (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or, in the case of a leap year, 366) at the Reference Bond Rate, plus the Redemption Margin;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, (i) its principal amount or (ii) such other amount expressed as an amount due in respect of each Calculation Amount represented by such Note, as specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" means:

(i) if the Final Terms state that Issuer Call is applicable, the date or dates specified as such in the relevant Final Terms; and/or

(ii) if the Final Terms state that a Clean-up Call is applicable, the date specified in the relevant notice given by the Issuer pursuant to Condition 10(c)(iii) (*Clean-up call*);

"**Optional Redemption Date (Put)**" means:

(i) if the Final Terms state that an Investor Put is applicable, the date or dates specified as such in the relevant Final Terms; or

(ii) if the Final Terms state that a Change of Control Put is applicable, the date specified in the relevant Change of Control Notice by the Issuer, being a date not earlier than 15 nor later than 20 Business Days after expiry of the Put Option Exercise Period;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

(i) if the currency of payment is euro, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Holders**" means the shareholders of the Issuer which are municipalities, provinces or consortiums incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000, as amended, or any Persons controlled, whether directly or indirectly, by any such municipality, province or consortium;

"**Permitted Reorganisation**" means:

(i) in the case of a Material Subsidiary which is a Fully Consolidated Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby all or substantially all of the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or

(ii) in the case of any other Material Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby a substantial part of the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or

(iii) in the case of the Issuer, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby all or substantially all of the Issuer's assets and undertaking are transferred, sold, contributed, assigned or otherwise vested in a body corporate that is in good standing, validly organised and existing under the laws of the Republic of Italy, and such body corporate (A) assumes liability as principal debtor in respect of the Notes and (B) continues to carry on all or substantially all of the business of the Issuer, *provided that* no Rating Event occurs following such transaction (or prior to completion of such transaction but following a public announcement thereof); or

(iv) any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement on terms previously approved by an Extraordinary Resolution;

"**Permitted Security Interest**" means:

(i) any Security Interest arising by operation of law;

(ii) any Security Interest created by a Person which becomes a Subsidiary of the Issuer after the Issue Date, where such Security Interest already exists at the time that Person becomes a Subsidiary *provided that* (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Subsidiary of the Issuer, (B) the aggregate principal amount secured at the time when that Person becomes a Subsidiary of the Issuer is not subsequently increased and (C) the aggregate value of the assets over which all such Security Interests are created or subsist shall not at any time, either individually or in the aggregate, exceed 10 per cent. of the Issuer's Consolidated Total Assets;

(iii) any Security Interest (a "**New Security Interest**") created in substitution for any existing Security Interest permitted under paragraphs (i) to (ii) above (an "**Existing Security Interest**"), *provided that* (A) the principal amount secured by the New Security Interest does not at any time exceed the principal amount secured by the Existing Security Interest, and (B) the value of the assets over which the New Security Interest is created does not exceed the value of the assets over which the Existing Security Interest was created or subsisted; or

(iv) any Security Interests not falling within paragraphs (i) to (iii) above, *provided that* the aggregate value of the assets over which all such Security Interests is created shall not at any time, either individually or in the aggregate, exceed 10 per cent. of the Issuer's Consolidated Total Assets;

"**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;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option Exercise Period**" means,

(i) if the Final Terms specify that Investor Put is applicable, a period that commences not more than the maximum nor less than the minimum number of days before the relevant Optional Redemption Date (Put) specified in the relevant Final Terms; or

(ii) if the Final Terms specify that Change of Control Put is applicable, a period of 20 Business Days following the date on which the relevant Change of Control Notice is given to the Noteholders in accordance with Condition 19 (*Notices*);

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Rating Agency" means any credit rating agency which is established in the European Economic Area and registered under Regulation (EC) No. 1060/2009;

a **"Rating Event"** will be deemed to have occurred following any particular event (the "**Relevant Event**") if, at the time of the occurrence of the Relevant Event, the Notes carry from any Rating Agency either:

(i) an Investment Grade Rating and such rating from any Rating Agency is within 180 days of the occurrence of the Relevant Event either downgraded below an Investment Grade Rating or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency or (in the case of a withdrawal) replaced by an Investment Grade Rating from any other Rating Agency; or

(ii) a rating that is not an Investment Grade Rating and such rating from any Rating Agency is within 180 days of the occurrence of the Relevant Event downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the Relevant Event an Investment Grade Rating to the Issuer;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount in respect of the Notes;

"**Redemption Margin**" means an amount expressed as a percentage, as specified in the relevant Final Terms;

"**Reference Banks**" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Bond**" means the debt securities specified as such in the relevant Final Terms;

"**Reference Bond Rate**" means, with respect to the Reference Dealers and the Optional Redemption Date (Call), 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 judgment of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date (Call) quoted in writing to the Issuer by the Reference Dealers;

"**Reference Currency**" means the currency specified as such in the relevant Final Terms;

"**Reference Dealers**" means the financial institutions specified as such in the relevant Final Terms or any of their affiliates or successors which, at the relevant time, are primary dealers in securities that are substantially analogous to the Reference Bond or market makers in pricing such securities;

"**Reference Price**" means the amount specified as such in the relevant Final Terms;

"**Reference Rate**" means the CMS Rate, EURIBOR or LIBOR, as specified in the relevant Final Terms;

"**Reference Rate Determination Agent**" means a person chosen by the Issuer for the purposes of determining in a commercially reasonable manner whether, pursuant to Condition 7(g) (*Benchmark replacement*), a substitute or successor rate that is substantially comparable to the discontinued Reference Rate is available and which may be:

(i) a leading bank or a broker-dealer in the Principal Financial Centre of the Specified Currency (which may include one of the underwriters involved in the original issue of the Notes) appointed by the Issuer; or

(ii) the Issuer itself or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor); or

(iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent); or

(iv) any other entity which the Issuer considers has the necessary competences to carry out such role;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" means the city or cities or other geographical area or areas specified as such in the relevant Final Terms;

"**Relevant Indebtedness**" means any Indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**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 Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

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

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

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

"**Relevant Time**" means the time specified as such in the relevant Final Terms;

"**Remaining Term Interest**" means, with respect to any Note to be redeemed on an Optional Redemption Date (Call) (and if the Final Terms specify that Issuer Call and Make Whole

Amount are applicable), the aggregate amount of scheduled payment(s) of interest on such Note for the period from (and including) the Optional Redemption Date (Call) to (but excluding) the Maturity Date, determined on the basis of the Rate of Interest applicable for that period;

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

"**Reserved Matter**" has the meaning given to it in the Agency Agreement and includes proposals, as set out in Article 2415 of the Italian Civil Code, to modify these Conditions (including, *inter alia*, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes);

"**Reset Date**" means the date or dates specified as such in the relevant Final Terms;

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any applicable jurisdiction;

"**Specified Currency**" means the currency specified as such in the relevant Final Terms;

"**Specified Denomination(s)**" means an amount of the Specified Currency specified as such in the relevant Final Terms, subject to a minimum denomination of €100,000 (or its equivalent in other currencies as at the Issue Date);

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" means the period specified as such in the relevant Final Terms;

"**Subsidiary**" means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359 of the Italian Civil Code;

"**Switch Date(s)**" means:

(i) where the Switch Option is not applicable, the date or dates that are specified as such in the relevant Final Terms; and

(ii) where the Switch Option is applicable, the date or dates that are specified as such in the relevant Final Terms and in respect of which the Issuer has duly given notice of exercise of the relevant Switch Option to Noteholders pursuant to Condition 8(e) (*Switching at the option of the Issuer*) and in accordance with Condition 19 (*Notices*);

"**Switch Option**" means, if specified as applicable in the relevant Final Terms, the option of the Issuer, at its sole discretion, on one or more occasions and subject to the provisions of Condition 8(e) (*Switching at the option of the Issuer*) to change the interest provisions applicable to the Notes from the Fixed Rate Note Provisions to the Floating Rate Note Provisions or *vice versa*;

"**Switch Option Exercise Period(s)**" means the period or periods specified as such in the relevant Final Terms, which period shall in any event end not less than 15 days prior to the relevant Switch Date;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated real-time Gross Settlement Express Transfer payment system utilising a single shared platform and launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in Euro;

"**Treaty**" means the Treaty on the functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) ***Interpretation***: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to be specified or indicated in the relevant Final Terms, but the relevant Final Terms gives no such indication or specification or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. Status

The Notes constitute direct, general, unconditional and, subject to the provisions of Condition 5 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the

Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any Guarantee in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

(a) ***Application***: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note and Inverse Floating Rate Note Provisions**

(a) ***Application***: This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Inverse Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this

Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***:

(i) *Floating Rate Notes other than CMS Linked Interest Notes*: If, in the relevant Final Terms, Screen Rate Determination is specified as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is not specified as the Reference Rate, then the Rate of Interest applicable to the Notes for each Interest Period will, subject to Condition 7(h) (*Maximum or Minimum Rate of Interest*), be determined by the Calculation Agent on the following basis:

(A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(1) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean of such quotations; and

(D) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be

the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(ii) *CMS Linked Interest Notes*: If, in the relevant Final Terms, Screen Rate Determination is specified as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is specified as the Reference Rate, then the Rate of Interest applicable to the Notes for each Interest Period will, will, subject to Condition 7(h) (*Maximum or Minimum Rate of Interest*), be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date fewer 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 the CMS Rate in effect with respect to the immediately preceding Interest Period.

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, will, subject to Condition 7(h) (*Maximum or Minimum Rate of Interest*), be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) ***Linear Interpolation***: Where Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation 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 relevant Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the relevant 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 Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines to be appropriate.

(f) ***Inverse Floating Rate Notes***: The Rate of Interest in respect of Inverse Floating Rate Notes for each Interest Period shall, will, subject to Condition 7(h) (*Maximum or Minimum Rate of Interest*), be determined by subtracting the Inverse Rate from the Fixed Rate and, for this purpose, all references in this Condition 7 to the sum of:

(i) the Reference Rate (or its arithmetic mean) or the ISDA Rate; and

(ii) the Margin,

shall be read as references to the difference between the Fixed Rate and the Inverse Rate obtained pursuant to this Condition 7(f).

(g) ***Benchmark replacement***: If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which the Reference Rate appears has been discontinued or is materially changed, or following the adoption of a decision to withdraw authorisation or registration pursuant to Article 35 of the BMR, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint a Reference Rate Determination Agent, which will not later than the date which falls 15 calendar days before the end of the Interest Period relating to the relevant Interest Determination Date (the "**Interest Determination Cut-off Date**") determine whether a substitute or successor rate for the purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**") for the purposes of determining the Reference Rate on each Interest Determination Date falling on or after such determination:

(i) the Reference Rate Determination Agent will also determine changes (if any) to the Business Day Convention, the definition of Business Day, the Interest Determination Date, the Day Count Fraction and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate;

(ii) references to the Reference Rate in these Conditions and the relevant Final Terms will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in this Condition 7(g); and

(iii) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the Fiscal Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in paragraph (i) above.

The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error but without prejudice to the Calculation Agent's or the Fiscal Agent's ability to rely on such determination) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in the paragraph above, which will then (in the absence of manifest error but without prejudice to the Calculation Agent's or the Fiscal Agent's ability to rely on such determination) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

If the Reference Rate Determination Agent determines that the Relevant Screen Page on which appears the Reference Rate has been discontinued or a decision to withdraw the authorisation or registration under Article 35 of the BMR has been adopted, but for any reason a Replacement Reference Rate has not been determined later than the Interest Determination Cut-off Date, no Replacement Reference Rate will be adopted and the Relevant Screen Page on which appears the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(h) ***Maximum or Minimum Rate of Interest***: The Rate of Interest shall in no event be less than the Minimum Rate of Interest. If any Maximum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum so specified.

(i) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(j) ***Calculation of other amounts***: If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(k) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as

practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(l) ***Notifications etc***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Fixed to Floating Rate or Floating to Fixed Rate Note Provisions**

(a) ***Application***: This Condition 8 (*Fixed to Floating Rate or Floating to Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed to Floating Rate Note Provisions or the Floating to Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Fixed to Floating Rate Note Provisions***: If the Fixed to Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable, then:

(i) the Fixed Rate Note Provisions shall apply to the Notes initially upon issue and in respect of the Fixed Rate Interest Period(s); and

(ii) the Floating Rate Note Provisions shall apply in respect of the Floating Rate Interest Period(s).

(c) ***Floating to Fixed Rate Note Provisions***: If the Floating to Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, then:

(i) the Floating Rate Note Provisions shall apply to the Notes initially upon issue and in respect of the Floating Rate Interest Period(s); and

(ii) the Fixed Rate Note Provisions shall apply in respect of the Fixed Rate Interest Period(s).

(d) ***Scheduled switch***: If the Final Terms do not specify that the Switch Option is applicable, then the switching of interest from the Fixed Rate Noted Provisions to the Floating Rate Note Provisions or *vice versa* shall take effect on each Switch Date without any requirement to give notice or other formality (but without prejudice, if applicable, to Condition 7(k) (*Publication*)).

(e) ***Switching at the option of the Issuer***: If the Final Terms specify that the Switch Option is applicable, then:

(i) the Issuer may, on one or more occasions, as specified in the relevant Final Terms, give notice to the Noteholders during the relevant Switch Option Exercise Period of the switching of interest applicable to the Notes from the Fixed Rate Noted Provisions to the Floating Rate Note Provisions or *vice versa*;

(ii) provided that notice is given to Noteholders during the relevant Switch Option Exercise Period, such notice will be irrevocable and binding on both the Issuer and the Noteholders and will take effect:

(A) where only one Switch Date is specified in the relevant Final Terms, from (and including) the Switch Date to (but excluding) the Maturity Date; or

(B) where more than one Switch Date is specified in the relevant Final Terms, from (and including) the relevant Switch Date to (but excluding) the next following Switch Date or, where there is no subsequent Switch Date, to (but excluding) the Maturity Date; and

(iii) if, in relation to a date specified in the Final Terms as a Switch Date, the Switch Option is not exercised in accordance with this Condition 8(e), then such date will be deemed not to be a Switch Date for the purposes of these Conditions and the interest provisions applicable prior to such date shall continue to apply.

9. **Zero Coupon Note Provisions**

(a) ***Application***: This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

(b) ***Redemption for tax reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on the Early Redemption Date on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the Early Redemption Date, if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, 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 of issue of the first Tranche of the Notes; and

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

provided, however, that no such notice of redemption shall be given earlier than:

(A) where the Early Redemption Date may fall at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(B) where the Early Redemption Date may only fall on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by a duly authorised legal representative 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 (2) 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. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) ***Redemption at the option of the Issuer***:

(i) *Application*: This Condition 10(c) is applicable only if the Issuer Call and/or Clean-up Call is specified in the relevant Final Terms as being applicable.

(ii) *Unconditional call*: If the Final Terms specify that the Issuer Call is applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer's giving not less than the minimum nor more than the maximum number of days' notice to the Noteholders specified in the Final Terms.

(iii) *Clean-up Call*: If the Final Terms specify that the Clean-up Call is applicable, then the Issuer may redeem the Notes in whole, but not in part, at any time after the occurrence of a Clean-up Call Event by giving not less than the minimum nor more than the maximum number of days' notice to the Noteholders specified in the Final Terms.

(iv) *Notice and effect*: Any notice given by the Issuer pursuant to this Conditions 10(c) shall be given in accordance with Condition 19 (*Notice*), shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date.

(d) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Redemption at the option of Noteholders*:**

(i) *Application*: This Condition 10(e) is applicable only if the Investor Put or the Change of Control Put is specified in the relevant Final Terms as being applicable.

(ii) *Investor Put*: If the Final Terms specify that Investor Put is applicable, each Noteholder may, during the Put Option Exercise Period, serve a Put Option Notice upon the Issuer, following which the Issuer will redeem in whole (but not in part) the Notes that are the subject of such Put Option Notice on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put), together with interest (if any) accrued to such date.

(iii) *Change of Control Put*: If the Final Terms specify that Change of Control Put is applicable and a Change of Control Put Event occurs, within five Business Days from the occurrence of such Change of Control Put Event, a Change of Control Notice shall be given by the Issuer to Noteholders in accordance with Condition 19 (*Notices*), whereupon each Noteholder may serve a Put Option Notice upon the Issuer during the Put Option Exercise Period. The Issuer will redeem in whole (but not in part) the Notes that are the subject of such Put Option Notice on the Optional Redemption Date (Put) specified in the relevant Change of Control Notice at the relevant Optional Redemption Amount (Put), together with interest (if any) accrued to such date.

(iv) *Put Option Notice*: In order to exercise the option contained in this Condition 10(e), the holder of a Note must, within the Put Option Exercise Period, deposit during normal business hours at the Specified Office of any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(f) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to (e) (*Redemption at the option of Noteholders*) above.

(g) ***Early redemption of Zero Coupon Notes***: The Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for

redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) ***Purchase***: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(i) ***Cancellation***: All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **Payments**

(a) ***Principal***: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) ***Interest***: Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.

(c) ***Payments in New York City***: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***: If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) ***Unmatured Coupons void***: If and to the extent that the relevant Final Terms specify that the Floating Rate Note Provisions or the Inverse Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).

(i) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Taxation**

(a) ***Gross up***: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or

(ii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239; or

(iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for an exemption; or

(iv) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or

(v) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) ***Taxing jurisdiction***: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

13. **Events of Default**

If any of the following events occurs:

(a) ***Non-payment****:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven TARGET Settlement Days of the due date for payment thereof; or

(b) ***Breach of other obligations****:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes under these Conditions (being obligations other than payment obligations to which Condition 13(a) (*Non-payment*) applies) and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) ***Cross-default of Issuer or Material Subsidiary****:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable by reason of default prior to its stated maturity; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee given by it in relation to any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or (ii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €25,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment****:* one or more judgment(s) or order(s) for the payment of any amount in excess of €25,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced****:* a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made and is not dismissed within 30 days) in respect of, all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

(f) ***Insolvency, etc****:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries (or application for any such appointment is made and is not dismissed within 30 days), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness or any Guarantee given by it in relation to any Indebtedness;

(g) ***Cessation of business****:* the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation);

(h) ***Winding up, etc****:* an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or

(i) ***Analogous event****:* any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (h) (*Winding up, etc.*) above; or

(j) ***Failure to take action etc***: any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

(k) ***Unlawfulness***: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest without further action or formality.

14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that*:

(a) the Issuer shall at all times maintain a Fiscal Agent;

(b) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, the Issuer shall at all times maintain a Paying Agent having its Specified Office in the place required by applicable laws and regulations or the rules of any such competent authority, stock exchange and/or quotation system;

(c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(d) the Issuer shall at all times maintain a Paying Agent in a jurisdiction within the European Union, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 12(b) (*Taxing Jurisdiction*).

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Noteholders' Representative; Modification**

(a) ***Meetings of Noteholders***:

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification by Extraordinary Resolution of the Notes, these Conditions or any of the provisions of the Agency Agreement. Such provisions are subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time and, where applicable Italian law so requires, the Issuer's By-laws, including any amendment, restatement or re-enactment of such laws, legislation, rules and regulations (or, where applicable, the Issuer's By-laws) taking effect at any time on or after the Issue Date.

Subject to the above, in relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution:

(i) any such 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 a request in writing by Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes or, in default following such request, by the court in accordance with the provisions of Article 2367 of the Italian Civil Code;

(ii) every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the Issuer's By-laws;

(iii) such a meeting will be validly convened if:

(A) in the case of a single call meeting that cannot be adjourned for want of quorum (*convocazione unica*), there are one or more persons being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a multiple call meeting that may be adjourned for want of quorum: (1) in the case of the initial meeting, there are one or more persons present being or representing Noteholders holding at least one half of the aggregate principal amount of the outstanding Notes; (2) in the case of a meeting convened following adjournment of the initial meeting for want of quorum, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes; or (3) in the case of any subsequent adjourned meeting, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes,

provided that the Issuer's By-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorums; and

(iv) the majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution will be:

(A) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting; or

(B) for voting on a Reserved Matter, the higher of (1) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes and (2) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting,

provided that the Issuer's By-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher majorities.

An Extraordinary Resolution duly passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

(b) ***Noteholders' Representative****:* Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of the Noteholders (*rappresentante comune* or "**Noteholders' Representative**") is appointed, *inter alia*, to represent the interests of Noteholders, such appointment to be made by an Extraordinary Resolution or by an order of a competent court at the request of one or more Noteholders or by the directors of the Issuer. Each such Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

(c) ***Modification***: The Notes, the Coupons and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Price, the Issue Date, the Interest Commencement Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*) and, for so long as the Notes are admitted to trading on a securities market of the Irish Stock Exchange plc, trading as Euronext Dublin and the rules of that exchange so require, in a leading newspaper having general circulation in the Republic of Ireland or on the website of that exchange (*www.ise.ie*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

(a) ***Governing law***: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 17 (*Meetings of Noteholders; Noteholders' Representative; Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders are subject to compliance with mandatory provisions of Italian law.

(b) ***Jurisdiction***: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity. The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) ***Proceedings outside England***: Condition 22(b) (*Jurisdiction*) is for the benefit of Noteholders only. To the extent allowed by law, any Noteholder may take (i) proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and (ii) concurrent Proceedings in any number of jurisdictions.

(d) ***Process agent***: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at 6 St Andrew Street, 5th Floor, London EC4A 3AE or, if different, at its registered office for the time being or at any address of the

Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or it ceases to be registered in England or, for any other reason, is unable or unwilling to act in such capacity, the Issuer shall immediately appoint a further Person in England to accept service of process on its behalf. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.

[**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 European Economic Area (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**"); or (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (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.] [*Delete entire paragraph if the prohibition of sales to EEA retail investors is specified to be "Not Applicable" in Part B, paragraph 9(vi).*]

MIFID II PRODUCT GOVERNANCE / TARGET MARKET: Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [MiFID II / Directive 2014/65/EU (as amended, "**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.

Final Terms dated [ ]

IREN S.p.A.

Legal entity identifier (LEI): 8156001EBD33FD474E60

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the
€2,500,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes set forth in the Base Prospectus dated 17 July 2019 [and the supplement[s] to the Base Prospectus dated [*date(s)*]] ([together,] the "**Base Prospectus**"), which constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended [(the "**Prospectus Directive**")]. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive][(4)] and must be read in conjunction with the Base Prospectus.

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(4) Delete this sentence where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Base Prospectus is required to be published under the Prospectus Directive.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website (*www.ise.ie*) of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**").]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the base prospectus dated 10 October 2017*.]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the base prospectus dated 10 October 2017, which are incorporated by reference in the Base Prospectus (as defined below). This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**")][(5)] and must be read in conjunction with the Base Prospectus dated 17 July 2019 [and the supplement[s] to the Base Prospectus dated [*date(s)*]] ([together,] the "**Base Prospectus**"), which constitute[s] a base prospectus for the purposes of [Directive 2003/71/EC, as amended / the Prospectus Directive], save in respect of the Conditions which are extracted from the base prospectus dated 10 October 2017.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Conditions (as set out in the base prospectus dated 10 October 2017) and the Base Prospectus. The Base Prospectus has been published on the website (*www.ise.ie*) of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**").]

(*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 sub-paragraphs. Italics denote guidance for completing the Final Terms.*)

(*When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

1.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
2.	If the Notes are fungible with an existing Series:		[Applicable / Not Applicable] (*If not applicable, delete sub-paragraphs (i) and (ii) below*)
	[(i)	Details of existing Series:	The Notes are to be consolidated and form a single Series with [*identify earlier Tranches*] issued by the Issuer on [*issue dates of earlier Tranches*] (the "**Existing Notes**").

(5) Delete this sentence where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Base Prospectus is required to be published under the Prospectus Directive.

	(ii)	Date on which the Notes will be consolidated and form a single Series:	[Issue Date / Upon exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 (*Form of Notes*) below, which is expected to occur not earlier than [*date*] / (the "**Exchange Date**")]]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations:	[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Notes in definitive form will be issued with a denomination above [ ]] (*The minimum denomination of Notes will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency as at the Issue Date)*.)
	(ii)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.*)
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date (if different from the Issue Date):	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:		[The Interest Payment Date falling in or nearest to] [ ] (*For Floating Rate Notes or Inverse Floating Rate Notes, specify the Interest Payment Date falling in or nearest to the relevant month and year. Otherwise, specify a date.*) (*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes*

is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available.)

9.	Interest Basis:	[[ ]% Fixed Rate] [[*Specify reference rate*] +/- [ ]% Floating Rate] [Inverse Floating Rate] [Fixed to Floating Rate] [Floating to Fixed Rate] [Zero Coupon] (further particulars specified in paragraph [12/13/14/15/16/17] below)
10.	Change of Interest Basis:	[Applicable (see paragraph [12 (*Fixed to Floating Rate Note Provisions*) / 13 (*Floating to Fixed Rate Note Provisions*)] / Not Applicable]
11.	Put/Call Options:	[[Issuer Call] [and] [Clean-up Call] (further particulars specified in paragraph[s] [18 (*Issuer Call*)] [and] [19 (*Clean-up Call*)] below)] [[Investor Put / Change of Control Put] (further particulars specified in paragraph 20 (*Put Option*) below)] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	**Fixed to Floating Rate Note Provisions**	[Applicable. See also paragraphs 15 (*Fixed Rate Note Provisions*) and 16 (*Floating Rate Note Provisions*) / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Switch Option:	[Applicable/Not Applicable]
	(ii) Switch Option Exercise Period:	[(*Insert start and end dates or specify maximum and minimum number of days prior to Switch Date. The end date must be at least 15 days prior to the Switch Date*) / Not Applicable]
	(iii) Switch Date(s):	[Subject to exercise of the Switch Option,] [ ] (*Insert dates(s)*) (*Delete reference to Switch Option if "Not Applicable" is specified in sub-paragraph (i) above.*)

13.	**Floating to Fixed Rate Note Provisions**	[Applicable. See also paragraphs 15 (*Fixed Rate Note Provisions*) and 16 (*Floating Rate Note Provisions*) / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Switch Option:	[Applicable/Not Applicable]
	(ii) Switch Option Exercise Period:	[(*Insert start and end dates or specify maximum and minimum number of days prior to Switch Date*) / Not Applicable]
	(iii) Switch Date(s):	[Subject to exercise of the Switch Option,] [ ] (*Insert dates(s)*) (*Delete reference to Switch Option if "Not Applicable" is specified in sub-paragraph (i) above*.)
14.	**Fixed Rate Note Provisions**	[Applicable / [Applicable in respect of the Fixed Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate(s) of Interest:	[ ] per cent. per annum
	(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with the Business Day Convention] (*N.B. This will need to be amended in the case of any long or short coupons*)
	(iii) Business Day Convention:	[Floating Rate Convention/FRN Convention/ Eurodollar Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ Not Applicable]
	(iv) Additional Business Centre(s):	[Not Applicable / Applicable (*indicate relevant city/cities*)]
	(v) Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(vi) Day Count Fraction:	[Actual/Actual (ICMA)]/ [Actual/365]/[Actual/ Actual(ISDA)]/ [Actual/365(Fixed)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis]/ [30E/360 (ISDA)]

	(vii) Broken Amount(s)	[[ ] per Calculation Amount, payable on [the Interest Payment Date falling in] [ ] / Not Applicable]
15.	**Floating Rate Note Provisions**	[Applicable / [Applicable in respect of the Floating Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Specified Period(s):	[Not Applicable / (*Specify period*)] ("*Specified Period" and "Interest Payment Dates" are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(ii) Interest Payment Dates:	[Not Applicable / (*Specify dates*)] (*"Specified Period" and "Interest Payment Dates" are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable". Otherwise, specify the dates.*)
	(iii) Business Day Convention:	[Floating Rate Convention/FRN Convention/ Eurodollar Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ Not Applicable]
	(iv) Additional Business Centre(s):	[Not Applicable / (*indicate relevant city/cities*)]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	[[*Name*] shall be the Calculation Agent / Not Applicable] (*Specify "Not Applicable" if the Fiscal Agent is to perform this function*)

(vii) Screen Rate Determination: [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (vii)*.)

– Reference Rate: [LIBOR / EURIBOR / CMS Rate]

– Relevant Screen Page: (*Specify screen page. For example, Reuters page EURIBOR 01*)

(*Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions*)

– Interest Determination Date(s): [ ]

(*Where the CMS Rate is the Reference Rate and the Reference Currency is euro*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]

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

– Relevant Time: [ ]
(*For example, 11.00 a.m. London time/Brussels time*)

– Relevant Financial Centre: [ ]
(*For example, London / Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)

– [Reference Currency:] (*only relevant where the CMS Rate is the Reference Rate)* [ ]

– [Designated Maturity:] (*only relevant where the CMS Rate is the Reference Rate)* [ ]

(viii) ISDA Determination: [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (viii)*.)

– Floating Rate Option: [ ]

– Designated Maturity: [ ]

– Reset Date: [ ]

(ix)	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*)]
(x)	Margin(s):	[+/-][ ] per cent. per annum
(xi)	Minimum Rate of Interest:	[Not Applicable / [ ] per cent. per annum]
(xii)	Maximum Rate of Interest:	[Not Applicable / [ ] per cent. per annum]
(xiii)	Day Count Fraction:	[Actual/Actual (ICMA)]/ [Actual/365]/[Actual/ Actual(ISDA)]/ [Actual/365(Fixed)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis]/ [30E/360 (ISDA)]
16.	**Inverse Floating Rate Note Provisions**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Specified Period(s):	[ ] ("*Specified Period" and "Interest Payment Date" are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(ii)	Interest Payment Dates:	[ ] (*If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(iii)	Business Day Convention:	[Floating Rate Convention/FRN Convention/ Eurodollar Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ Not Applicable]
(iv)	Additional Business Centre(s):	[Not Applicable / *indicate relevant city/cities*]
(v)	Fixed Rate:	[ ] per cent.
(vi)	Manner in which the Inverse Rate is to be determined:	[Screen Rate Determination/ ISDA Determination]

(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	[[*Name*] shall be the Calculation Agent / Not Applicable] (*Specify "Not Applicable" if the Fiscal Agent is to perform this function*)
(viii)	Screen Rate Determination:	[Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (viii).*)
	– Reference Rate:	[LIBOR / EURIBOR / CMS Rate]
	– Relevant Screen Page:	(*Specify screen page. For example, Reuters page EURIBOR 01*) (*Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions*)
	– Interest Determination Date(s):	[ ] (*Where the CMS Rate is the Reference Rate and the Reference Currency is euro*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period] (*Where the CMS Rate is the Reference Rate and the Reference Currency is other than euro*): [Second [*specify type of day*] prior to the start of each Interest Period]
	– Relevant Time:	[ ] (*For example, 11.00 a.m. London time/Brussels time*)
	– Relevant Financial Centre:	[ ] (*For example, London / Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)
	– [Reference Currency:] (*only relevant where the CMS Rate is the Reference Rate)*	[ ]
	– [Designated Maturity:] (*only relevant where the CMS Rate is the Reference Rate)*	[ ]
(ix)	ISDA Determination:	[Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (ix).*)
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]

– Reset Date: [ ]

(x) 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*)]

(xi) Minimum Rate of Interest: [As per the Conditions / [ ] per cent. per annum]

(xii) Maximum Rate of Interest: [Not Applicable / [ ] per cent. per annum]

(xiii) Day Count Fraction: [Actual/Actual (ICMA)]/
[Actual/365]/[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[360/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]/
[30E/360 (ISDA)]

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) [Amortisation/ Accrual] Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iii) Day Count Fraction: [30E/360]/[Eurobond Basis]
[Actual/Actual (ICMA)]/
[Actual/365]/[Actual/Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[360/360]/[Bond Basis]/
[30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

18. **Issuer Call** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) Optional Redemption Date(s) (Call): *(Specify date(s))*].

(ii) Notice periods:

(a) Minimum notice: [ ] days

(b)	Maximum notice:	[ ] days (*When setting notice periods, consider the practicalities of distributing information through intermediaries, e.g. clearing systems* (*which normally require a minimum of five 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 Fiscal Agent.*)
(iii)	If redeemable in part:	[Applicable/Not Applicable] (*If not applicable, delete sub-paragraphs (a) and (b) below.*)
(a)	Minimum Redemption Amount:	[*currency*][*amount*] per Calculation Amount
(b)	Maximum Redemption Amount:	[*currency*][*amount*] per Calculation Amount
(iv)	Optional Redemption Amount(s) (Call):	[[*currency*][*amount*] per Calculation Amount / Make Whole Amount] (*If Make Whole Amount is not applicable, delete the remaining sub-paragraphs of this paragraph*).)
(v)	Redemption Margin:	[(*Specify percentage*) per cent.
(vi)	Reference Bond:	[(*Specify applicable reference bond*)
(vii)	Reference Dealers:	[(*Insert names of financial institutions*)
19. **Clean-up Call**		[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Clean-up Call Threshold:	(*Specify percentage*) per cent.
(ii)	Notice periods:	
(a)	Minimum notice:	[ ] days

(b) Maximum notice: [ ] days

(*When setting notice periods, consider the practicalities of distributing information through intermediaries, e.g. clearing systems* (*which normally require a minimum of five 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 Fiscal Agent.*)

(iii) Optional Redemption Amount(s) (Call): [*currency*][*amount*] per Calculation Amount

20. **Put Option** [Investor Put /
Change of Control Put /
Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) Optional Redemption Date(s) (Put): [(*Specify date*) / As per the Conditions]

(*Specify a date only if the Change of Control Put is not applicable*)

(ii) Optional Redemption Amount(s) (Put): [*currency*][*amount*] per Calculation Amount

(iii) Notice periods:

(a) Minimum notice: [ ] days

(b) Maximum notice: [ ] days

(*When setting notice periods, consider the practicalities of distributing information through intermediaries, e.g. clearing systems (which normally require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent.*)

21. **Early Redemption Amount / Early Termination Amount**

Early Redemption Amount(s) of each Note payable on redemption for taxation or Early Termination Amount on event of default (if different from the principal amount of the Notes): [Not Applicable /
[*currency*][*amount*] per Calculation Amount]

(*Select "Not Applicable" if the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes. Otherwise, specify the Early Redemption Amount (Tax) and/or the Early Termination*

Amount.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.] [Permanent Global Note exchangeable for Definitive Notes [on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].]
23.	New Global Note:	[Yes/No]
24.	Additional Financial Centre(s):	[Not Applicable / *indicate relevant city/cities*] (*Note that this item relates to the date and place of payment, and not interest period end dates, to which items 14(iv), 15(iv) and 16(iv) relate.*)
25.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No / Yes, if the [Temporary/Permanent] Global Notes is exchanged for Definitive Notes on or before [*relevant Interest Payment Date*].] (*Select "Yes" if the Notes have more than 27 coupon payments, in which case the "relevant Interest Payment Date" will be the 27th Interest Payment Date prior to the final Interest Payment Date.*)

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing:	[Official List of Euronext Dublin / (*Specify any other or further listing*) / Not Applicable]
(ii)	Admission to trading:	[Application [has been/is expected to be] made for the Notes to be admitted to trading on [the regulated market of Euronext Dublin / (*Specify any other or further securities markets*)] with effect from [ ].] / [Not Applicable.] [[*Identify earlier Tranches*] are already admitted to trading on [the regulated market of Euronext Dublin / (*Other*)]. (*Insert wording in this second sub-paragraph only if the Notes are fungible with an existing Series and are admitted to trading on a securities market.*)]
(iii)	Estimate of total expenses related to admission to trading:	[*Specify amount*] / [Not Applicable] (*Specify "Not Applicable" only if the Notes are not being admitted to trading on any EEA regulated market.*)

2. **RATINGS**

Ratings:	(*Insert the following paragraph where the Notes are to be specifically rated.*) [The Notes to be issued [have been/are expected to be] rated as follows: [Fitch: [ ]] [[*Other*]: [ ]]] (*Insert the following paragraph where the Notes are not to be specifically rated*)] [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally: [Fitch: [ ]] [[Other]: [ ]]] (*Insert the following where the relevant credit rating agency is established in the EEA:*) [[*Name of rating agency/ies*] [is/are] established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**")]

(*Insert the following where the relevant credit rating agency is not established in the EEA:*)

[[*Name of rating agency/ies*] [is/are] not established in the EEA [but the rating it has given to the Notes is endorsed by [*insert name of rating agency*], which is established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**")] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and registered] under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").]

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website a list of credit rating agencies registered in accordance with the CRA Regulation, which can be viewed at the following address:

http://www.esma.europa.eu/page/List-registered-and-certified-CRAs#

This list must be updated by ESMA within 5 working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation.

3. **AUTHORISATIONS**

[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*)]

4. **REASONS FOR THE OFFER**

Use of proceeds:	[The net proceeds of the issue of Notes will be applied by the Issuer [to refinance existing indebtedness (see also "– *Interests of natural and legal persons involved in the issue*" below) [and/or] / for general corporate purposes, which include making a profit [and/or] / [and/or] (*specify any other use of proceeds*).]

[The net proceeds of the issue of Notes will [also] be applied by the Issuer to finance or refinance, in whole or in part, Eligible Green Projects, as set out in further detail below. Capitalised terms shown below have the meaning given to them in the section of the Base Prospectus entitled "*Use of Proceeds*".]

(*Delete the remaining sub-paragraphs of this paragraph if Eligible Green Projects are not relevant*. *Otherwise, insert the details below, to the extent known at the date of the Final Terms.*)

Eligible Green Projects:	[ ]
Periodic updates:	[*Insert details of periodic updates, including an updated list of Eligible Green Projects financed and/or refinanced with the net proceeds of the Notes, the amounts allocated and their expected impact, any ongoing process of verification and information on key performance indicators relating to such Eligible Green Projects.*]
Documents on display:	[*State where the list of Eligible Green Project and any documents containing periodic updates are or will be available for viewing by Noteholders.*]

5. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Not Applicable / (*give details*)]

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

Save for any fees payable to the Dealers and save as discussed in the section of the Base Prospectus entitled "General Information", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.")

(*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.*)

6. **YIELD**

Indication of yield:	[Not Applicable / (*insert percentage*)]
	(*State "Not Applicable" if the Notes are not Fixed Rate Notes.*)

7. **BENCHMARKS**

EU Benchmarks Regulation:	[Applicable / Not Applicable] (*State "Not Applicable" if the Notes are Fixed Rate Notes. If not applicable, delete the remaining text of this paragraph 7.)*
[Statement on benchmarks: (*Article 29(2) of EU Benchmarks Regulation*)	Amounts payable under the Notes will be calculated by reference to [*name of benchmark*], which is provided by [*name of benchmark administrator*]. As at the date of these Final Terms, [*name of 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 Benchmarks Regulation (Regulation (EU) No. 2016/1011) ("**BMR**"). [As far as the Issuer is aware, [[*name of benchmark*] does not fall within the scope of BMR by virtue of Article 2 of that regulation / the transitional provisions in Article 51 of BMR apply], such that [*name of benchmark administrator*] is not currently required to obtain authorisation or registration.]]

8. **THIRD PARTY INFORMATION**

[Not Applicable / [ ] has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

9. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If non-syndicated, name of Dealer:	[Not applicable/*give name*]
(iii)	If syndicated, names of Managers:	[Not applicable/*give names*]
(iv)	Name of Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(v)	U.S. selling restrictions:	Reg. S compliance category [1/2/3]; TEFRA [C/D/not applicable]

(vi)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018 or, on and after that date, the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

10. **ISIN AND COMMON CODE**

(*Select one of the two options below if the Notes are fungible with an existing Series.*)

[The notes have the following temporary ISIN and temporary common code assigned to them:

Temporary ISIN: [ ]

Temporary Common Code: [ ]

The Notes are to be consolidated and form a single series with [*Identify earlier Tranches*] on [*date specified in Part A, paragraph 2(ii)*], following which the Notes will have the same ISIN and common code assigned to [*Identify earlier Tranches*], namely:]

[The Notes are to be consolidated and form a single series with [*Identify earlier Tranches*] immediately upon issue and, accordingly, will have the same ISIN and common code assigned to [*Identify earlier Tranches*], namely:]

(*Delete both of the above options if the Notes are not fungible with an existing Series.*)

ISIN: [ ]

Common Code: [ ]

11. **OTHER OPERATIONAL INFORMATION**

CFI: [[ ] / Not Applicable]

FISN: [[ ] / Not Applicable]

(*If the CFI and/or FISN are not required, requested or available, it/they should be specified as "Not Applicable"*)

Intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg 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 satisfaction of the Eurosystem eligibility criteria.] (*Include this text if "Yes" selected, in which case the Notes must be issued in NGN form.*) [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 Euroclear or Clearstream, Luxembourg 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.] (*Include this text if "No" selected.*)
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*]
Delivery:	Delivery [against / free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/*give name(s) and address(es)*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

(a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and (in the case of an NGN) effectuated, to the bearer of the Temporary Global Note; or

(b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within seven days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or

(c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 17 July 2019 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately

before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the same is noted in a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Payment Business Day: Notwithstanding the definition of "Payment Business Day" in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary or safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream,

Luxembourg and/or any other relevant clearing system, except that so long as the Notes are admitted to trading on a securities market of Euronext Dublin and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in the Republic of Ireland or published on the website of Euronext Dublin (*www.ise.ie*).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer as indicated in the relevant Final Terms, which will be one or more of the following:

(a) to refinance existing indebtedness, which may include indebtedness in which one or more Dealers participate, either directly or through affiliates or through companies being part of their banking group, including parent companies (see also "– *Interests of natural and legal persons involved in the issue of Notes*" in the section of this Base Prospectus entitled "*General Information*" below);

(b) for general corporate purposes;

(c) to finance or refinance, in whole or in part, Eligible Green Projects; and

(d) for such other purposes as are specified in the Final Terms.

In accordance with the definition criteria set out in the Green Bond Principles ("**GBP**") of the International Capital Market Association ("**ICMA**"), only Tranches of Notes financing or refinancing Eligible Green Projects referred to in (b) above will be denominated "Green Bonds".

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

Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for Green Projects set out by the ICMA GBP.

For the purpose of this section, "**Eligible Green Projects**" include, but are not limited to, projects aimed at addressing the following key climate change concerns:

(a) *Renewable energy*:

  (i) Mini Hydro Power;

  (ii) Solar PV Energy Generation; and

  (iii) Energy Network Development;

(b) *Energy efficiency*:

  (i) Energy Distribution and Management; and

  (ii) Cogeneration Facilities;

(c) *Waste management efficiency and recycling*:

- Waste collection and sorting upgrades;

(d) *Waste water treatment*:

- Wastewater treatment plant upgrades;

(e) *Adaptation*:

- Water efficiency; and

(f) *Transport*

- Electric Vehicles.

Where the Final Terms specify that the proceeds to the Notes will be used to finance or refinance Eligible Green Projects (in whole or in part), the Issuer may appoint consultants and/or institutions with recognised expertise in environmental sustainability to issue a second-party opinion (a "**Second-party Opinion**") attesting that the Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for green projects set out by ICMA.

The Final Terms relating to such Notes will specify (to the extent known at the relevant date):

(i) further details of the Eligible Green Projects selected by the Issuer for financing and/or refinancing with the net proceeds of the issue of the Notes;

(ii) where a list of Eligible Green Projects is or will be available for viewing by Noteholders; and

(iii) details of periodic updates, including an updated list of Eligible Green Projects financed and/or refinanced with the net proceeds of the Notes, the amounts allocated and their expected impact, any ongoing process of verification, information on key performance indicators relating to such Eligible Green Projects and where that information will be made available for viewing by Noteholders.

DESCRIPTION OF THE ISSUER

The Issuer is a listed company limited by shares (*società per azioni*) incorporated under Italian law and operating under Articles 2325 to 2451 of the Italian Civil Code. Its registered office and principal place of business is at Via Nubi di Magellano 30, 42123 Reggio Emilia, Italy and it is registered with the Companies' Registry of Reggio Emilia under number 07129470014, Tax Code and VAT Number 07129470014. Iren may be contacted by telephone on +39 05227971, by fax on +39 0522797300 and by e-mail at *info@gruppoiren.it* or at the following certified mail box: *irenspa@pec.gruppoiren.it*.

The Issuer is the company resulting from the merger by way of incorporation of Enìa S.p.A. ("**Enìa**") into Iride S.p.A. ("**Iride**") on 1 July 2010, following which Iride changed its name to "Iren S.p.A.". The Issuer was originally established on 20 August 1907 under the name Azienda Energetica Metropolitana Torino S.p.A.. For further information in respect of Enìa, Iride, their merger and the history of the Issuer as surviving and incorporating company under the merger, see "*Description of the Issuer – History*" below.

The Issuer, together with its subsidiaries (the "**Group**" or "**Iren Group**"), is one of the most important providers of integrated multi-utility services in Italy[(6)] and operates mainly in the north-west of Italy through its operating branches in Genoa, Parma, Piacenza and Turin.

The Issuer is the parent company of the Group, which operates in the sectors of electrical energy (production, transport, distribution and sale), heating (production, distribution and sale), gas (distribution and sale), integrated water services, waste management services (collection and disposal of waste) and services for public administration. The Group also provides other public utility services which include telecommunications, public lighting, traffic light services and facility management. The businesses of the Group include both fully regulated services managed under licensed concessionary regimes (water services, urban waste management, distribution of gas and electricity, and public lighting) and businesses managed under ''free competition'' regimes (the sale of gas and electricity, special waste management, district heating (*teleriscaldamento*) and heat management services and co-generation).

The Issuer's management believes that the complementary nature of the businesses creates expansion opportunities and makes it possible for the Group to achieve cost synergies and efficiencies and also to cross-sell utility services to customers in its customer base. In addition, management believes that the business of the Group is diversified in terms of the contribution to EBITDA[7] from regulated activities (such as energy infrastructure, integrated water services, waste collection management and other services), semi-regulated activities (district heating, urban waste disposal and green certificates) and non-regulated activities (such as generation, special waste and market), which accounted for 45 per cent., 28 per cent. and 27 per cent., respectively, of the group's EBITDA[8], excluding the contribution from capital gains, for the year ended 31 December 2018[9].

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(6) *Source: Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico* (AEEGSI, now known as ARERA), *Relazione Annuale sullo Stato dei Servizi e dell'Attività Svolta*, 31 March 2017.

(7) For a description of Gross operating profit (EBITDA), see "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

(8) See previous note.

(9) Regulated activities mean activities granted on concession to the Issuer whose revenues are protected by a system of tariffs established by the competent authorities (i.e. ARERA for electric energy, gas and water, and the regions for waste collection management) and are not subject to volume-risk.

Semi-regulated activities mean activities whose revenues are predictable over time since those revenues are (i) either pre-determined by a system of tariffs which is regulated by the competent authorities or (ii) are originated from fixed price formulas. Revenues are partly subject to volume-risk.

History

Enìa

Prior to its merger with Iride in 2010, Enìa was one of the leading multi-utility companies providing public utility services (gas, electricity, water, waste and district heating (*teleriscaldamento*)) in the provinces of Reggio Emilia, Parma and Piacenza. Enìa itself resulted from the merger in 2005 between the former water, energy and waste utility companies AGAC S.p.A. (with its registered office in Reggio Emilia and established in 1962), AMPS S.p.A. (with its registered office in Parma and established in 1905) and TESA Piacenza S.p.A. (with its registered office in Piacenza and established in 1972). The ordinary shares of Enìa were admitted to trading on the *Mercato Telematico Azionario* (the "**MTA**") of Borsa Italiana S.p.A. ("**Borsa Italiana**") in 2007. Following the merger with Iride, its ordinary shares were cancelled and its shareholders were allotted new ordinary shares of Iren at an exchange ratio of 4.2 ordinary Iren shares for every ordinary share of Enìa.

Iride

Prior to the above-mentioned merger, Iride was a leading multi-utility company in the north west of Italy providing public utility services primarily in the energy sector (generation of hydroelectricity, cogeneration, district heating *(teleriscaldamento)*, sale and distribution of electricity and gas) and in integrated water and energy services. Iride itself was the result of the merger by way of incorporation of the multi-utility AMGA S.p.A. (with its registered office in Genoa and established in 1936) into the multi-utility Azienda Energetica Metropolitana Torino S.p.A. (with its registered office in Turin and established in 1907), which took place in 2006. The ordinary shares of Iride were admitted to trading on the MTA in 2000 and, as described above, Iride changed its name to "Iren S.p.A." following the merger in July 2010 and new ordinary shares were allotted to the shareholders of Enìa.

Current Group Structure

Since January 2016, the Group has been organised under the following business units, with four intermediate holding companies, each wholly owned by the Issuer:

- *Waste Management*: through Iren Ambiente S.p.A. ("**Iren Ambiente**") and its subsidiaries, coordinating and managing the activities of sweeping, collection and management of collection centres, management of waste processing and disposal plants and the related heat and electricity production plants;
- *Energy*: though Iren Energia S.p.A. ("**Iren Energia**") and its subsidiaries, coordinating and managing electricity production/energy-heat cogeneration plants, heat distribution (so-called district heating) plants and networks and activities related to "indoor" technological services (electrical systems and heating systems, technological global service);
- *Market*: through Iren Mercato S.p.A. ("**Iren Mercato**") and its subsidiaries, coordinating and managing commercial services to customers (electricity, heat and gas, etc.), and marketing activities for development of the reference markets; and
- *Networks*: through Ireti S.p.A. ("**Ireti**") and its subsidiaries, coordinating and managing the integrated water services and the gas and electricity plants and distribution networks.

The above structure was created following a reorganisation of the Group, initially approved by the Issuer's Board of Directors in July 2015. The project has involved a centralisation of most of the second-level wholly owned subsidiaries, significantly reducing the number of Group companies, with a view to a reduction in operating expenses and greater clarity in responsibilities for results and in the achievement of objectives, as well as being a determining factor in the Group's integration process.

In particular, with effect from 1 January 2016, the Group companies AEM Torino Distribuzione S.p.A., Genova Reti Gas S.r.l., Iren Acqua Gas S.p.A. ("**Iren Acqua Gas**"), Acquedotto di Savona, Enìatel and AGA S.p.A. were merged by incorporation into Iren Emilia S.p.A., which changed its name to Ireti S.p.A. In addition, on 1 May 2016, the Group consolidated Atena S.p.A., now known as ASM Vercelli S.p.A. ("**ASM Vercelli**"), operating in the integrated water cycle, electricity and gas distribution and the environment, following an increase in Ireti's shareholding to 59.96%, together with Atena Trading S.r.l. ("**Atena Trading**"), a wholly owned subsidiary of ASM Vercelli active in the sale of electricity and gas.

The restructuring project continued in the first half of 2017 and during the year 2018. In particular, on 1 January 2017, the following mergers and acquisitions were carried out:

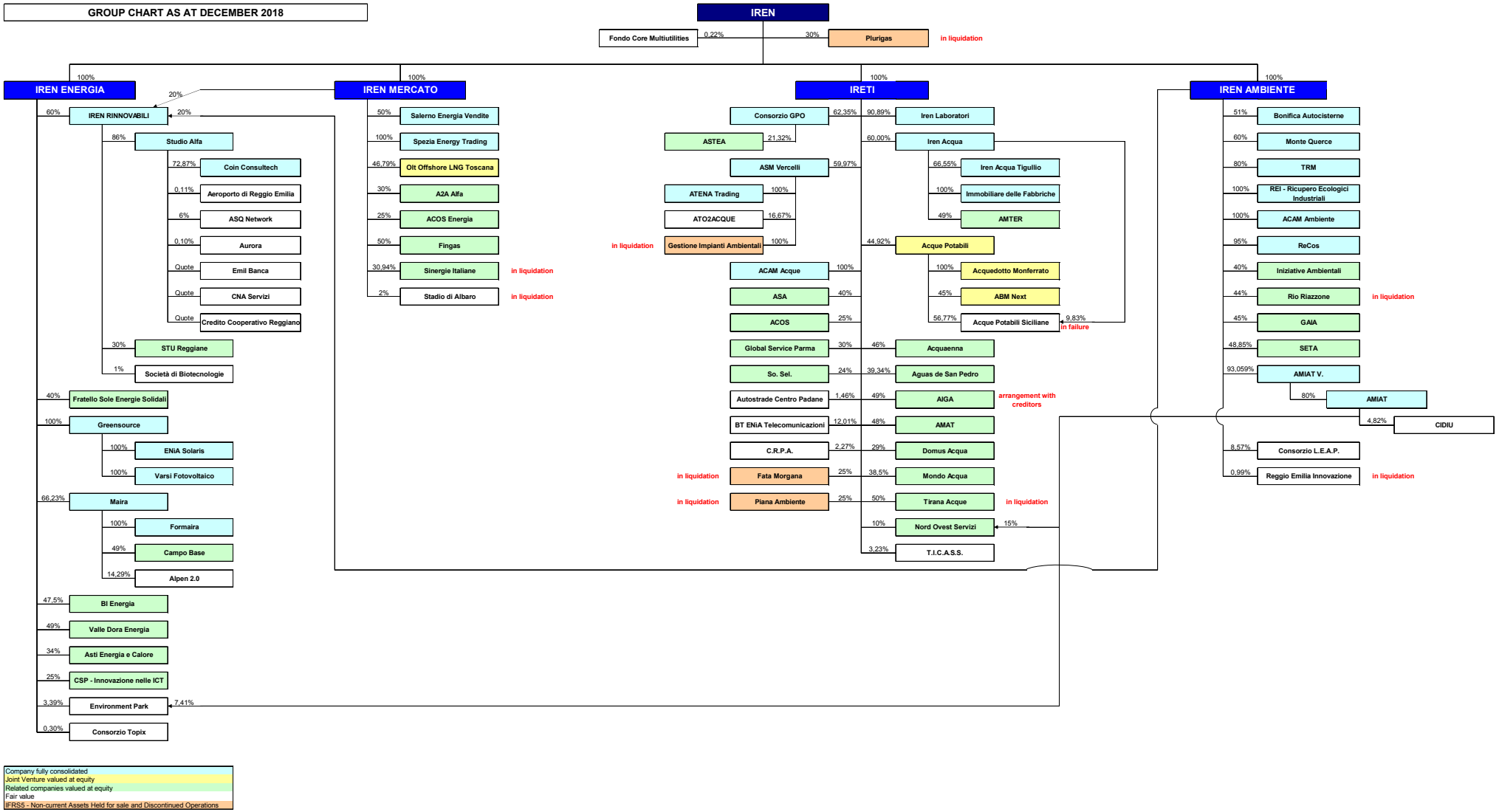
- the merger by incorporation of Iren Servizi e Innovazione S.p.A. ("**Iren Servizi e Innovazione**") into Iren Energia;
- the transfer by Iren Mercato of its thermal systems business to Iren Energia;
- the transfer of the residual part of the business unit of Acque Potabili S.p.A. to Ireti; and
- the merger by incorporation of Iren Gestioni Energetiche S.p.A. into Iren Mercato.

Subsequently, on 16 May 2017 the company GEA Commerciale S.p.A., formerly 100% controlled by Iren Mercato, was merged by incorporation into Salerno Energia Vendite S.r.l. ("**Salerno Energia Vendite**"), following which Iren Mercato's shareholding in Salerno Energia Vendite rose to 50%, thereby bringing that company into the Group's consolidation area.

In April 2018, the Issuer acquired nearly all of the share capital of ACAM S.p.A. ("**ACAM**") for a consideration of €59,000,274.29, of which €52,623,141.00 was accounted for by a total of 24,705,700 new ordinary shares of the Issuer, subscribed for by 27 ACAM shareholders comprising municipalities in the Province of La Spezia, with the remainder paid in cash. Subsequently, the merger by incorporation of ACAM into the Issuer was finalised.

The following organisational chart illustrates the main subsidiaries of Iren as at 31 December 2018.

GROUP CHART AS AT DECEMBER 2018



Company fully consolidated
Joint Venture valued at equity
Related companies valued at equity
Fair value
IFRS5 - Non-current Assets Held for sale and Discontinued Operations

Business of the Group

The Group's activities are organised through the following business segments:

(i) **Energy** (hydroelectric production, combined heat and power, district heating networks and thermoelectric production);

(ii) **Market** (sale of electricity, gas and heat);

(iii) **Networks** (electricity distribution networks, gas distribution networks and integrated water service);

(iv) **Waste Management** (waste collection and disposal); and

(v) **Other Services** (public lighting, global services and other minor services).

The following tables show a breakdown by business segment of the main income statement line items of the Group for the years ended 31 December 2018 and 2017.

Results by business segment

	For the year ended 31 December 2018						
(*millions of Euro*)	**Energy**	**Market**	**Networks**	**Waste**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	**1,345**	**2,602**	**947**	**610**	**83**	**(1,546)**	**4,041**
Total operating expenses	(1,020)	(2,463)	(605)	(455)	(77)	1,546	(3,074)
Gross operating profit (EBITDA)[(1)]	**325**	**139**	**342**	**155**	**6**	**-**	**967**
Net amort./depr., provisions and impairment losses	(137)	(53)	(166)	(80)	(1)	-	(437)
Operating profit (EBIT)[(1)]	**188**	**86**	**176**	**75**	**5**	**-**	**530**

(1) See also "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

	For the year ended 31 December 2017						
(*millions of Euro*)	**Energy**	**Market**	**Networks**	**Waste**	**Other services**	**Netting and adjustments**	**Total**
Total revenue and income	**1,104**	**2,418**	**936**	**551**	**127**	**1,438**	**3,697**
Total operating expense	(849)	(2,307)	(600)	(402)	(157)	(1,438)	(2,877)
Gross Operating Profit (EBITDA)[(1)]	**255**	**111**	**336**	**149**	**(31)**	**-**	**820**
Net am./depr., provisions and impairment losses	(117)	(42)	(157)	(81)	(2)	-	(400)
Operating profit (EBIT)[(1)]	**138**	**69**	**179**	**67**	**(33)**	**-**	**420**

(1) See also "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

The following tables show a breakdown of the main income statement line items of the Group for the first three months of 2019 and 2018.

Results by business segment

	For the three months ended 31 March 2019						
(*millions of Euro*)	**Energy**	**Market**	**Networks**	**Waste**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	**468**	**955**	**233**	**175**	**5**	**(558)**	**1,278**
Total operating expenses	(353)	(922)	(148)	(134)	(5)	558	(1,004)
Gross operating profit (EBITDA)[(1)]	**115**	**33**	**85**	**41**	**0**	**-**	**274**
Net amort./depr., provisions and impairment losses	(30)	(10)	(39)	(22)	(1)	-	(102)
Operating profit (EBIT)[(1)]	**85**	**23**	**46**	**19**	**-1**	**-**	**172**

(1) See also "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

	For the three months ended 31 March 2018						
(*millions of Euro*)	**Energy**	**Market**	**Networks**	**Waste**	**Other services**	**Netting and adjustments**	**Total**
Total revenue and income	**362**	**791**	**198**	**138**	**10**	**(433)**	**1,066**
Total operating expense	(259)	(741)	(119)	(102)	(9)	433	(796)
Gross Operating Profit (EBITDA)[(1)]	**103**	**50**	**79**	**36**	**1**	**-**	**269**
Net am./depr., provisions and impairment losses	(31)	(8)	(35)	(18)	(0)	-	(92)
Operating profit (EBIT)[(1)]	**72**	**42**	**44**	**18**	**1**	**-**	**177**

(1) See also "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

The Issuer does not provide secondary segment information by geographic area, since, although the Group is expanding its business in the centre and southern regions of Italy, it operates mainly in the north-western regions of Italy.

Management believes that these diverse but complementary businesses provide a natural "hedging" for the Group, since adverse changes in one sector are not necessarily reflected in the other sectors at the same time and may allow for the maximising of revenue-generating capacities.

The Group's development strategies are based on an organisational and business model, divided into an industrial holding company (namely, the Issuer) and four business units (namely Iren Energia, Iren Ambiente, Iren Mercato and Ireti) responsible for supervising the business areas. Iren, as holding company of the Group, is responsible for establishing the strategic guidelines and management policies, allocating resources and coordinating the Group's business areas.

Business Units

Energy

Iren Energia, a company with its registered office in Turin, is the principal company in the Group's Energy Infrastructure and Other Services segments and manages electrical energy/energy-heat waste to energy plants and electrical energy and heat generation and distribution systems, as well as technological services (such as thermal and electrical plant, street lighting and traffic lights, and facilities, excluding information technology), both directly and through its subsidiaries.

Cogenerative production of electricity and heat

The Energy business unit owns 28 electricity production plants, comprising 20 hydroelectric plants, six thermoelectric cogeneration plants, one thermoelectric plant and one co-generator plant, with a total capacity of approximately 2,852 MW of electricity and 2,300 MW of heat, of which approximately 2.1 MW is through cogeneration. All primary energy sources used (hydroelectric and cogeneration) are considered by the Issuer to be eco-compatible.

In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants and reducing the need to make use of other forms of production that have a greater environmental impact. Iren Energia's management believes that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment.

At the same time, a total of 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. In 2018, heat production was in the region of 2,700 GWht (2,800 GWht in 2017), with district heating (*teleriscaldamento*) volumes of approximately 85 million cubic metres.

Iren Energia oversees the Group's electricity and thermal energy planning and dispatching activities.

Electrical energy distribution

Through Ireti, the Group distributes electrical energy to the entire metropolitan areas of Turin and Parma, while ASM Vercelli distributes electricity in the town of Vercelli in the north-west of Italy. For the year ended 31 December 2018, the total electrical energy distributed was 3,836 GWh (compared to 4,248 GWh in 2017).

District heating

Since July 2014, Iren Energia has taken over the Group's district heating (*teleriscaldamento*) business. The total volume heated in the year ended 31 December 2018 amounted to 88.4 million cubic metres, up by 1.5% compared to 2017. In Turin, Iren Energia has the largest district heating network in Italy, with 632 km of dual pipes. In Genoa, the company has a network with an extension of 10 km, in Reggio Emilia of approximately 220 km, in Parma of approximately 103 km and Piacenza of approximately 28 km (making a total of 993 km). In addition, since 1 October 2015, following the transfer of the business unit from Ireti (formerly Iren Emilia), Iren Energia has directly managed the operation and maintenance of the district heating plants located in Emilia.

Services to local authorities and global service

Since 1 January 2017, following the merger by incorporation of Iren Servizi e Innovazione, Iren Energia provides Turin with street and monument lighting services, traffic light management, technological global service management of buildings and of renewable and alternative energies. In addition, Iren Energia builds plants for the generation of electricity, using renewables or similar sources such as tri-generation. In agreement with the City of Turin (*Comune di Torino*), Iren Energia is

continuing to carry out a structured plan of renewals, already started by Iren Servizi e Innovazione, aimed at improving energy efficiency and limiting consumption, which involves replacing traditional mercury lamps with LED lamps.

On 7 September 2018, Iren Energia finalised an industrial partnership with Fratello Sole S.c.a.r.l. ("**Fratello Sole**"), a company operating in support of charitable and socially-useful entities in the field of saving on energy costs. The partnership, in line with the principles contained in the Business Plan, involves an equity investment in the newly-incorporated company Fratello Sole Energie Solidali S.r.l., a social non-profit enterprise that proposes to supply management and energy efficiency services in relation to the property assets of its founding shareholders from the voluntary sector. The transaction regards potential property assets of 300 buildings and the work is expected to develop over the next four years, with the possibility of parallel development of e-mobility projects for customers.

On 28 September 2018, Iren Energia completed the acquisition of a controlling stake in Maira S.p.A. ("**Maira**"), a company with its registered office in San Damiano Macra (CN) that builds and operates hydroelectric plants in Piedmont (the "**Maira Transaction**"). Maira currently operates three mini-hydroelectric plants under a concession with a total installed capacity of 5 MW, with annual output of approximately 15 GWh. The Maira Transaction also involved the granting of a call option and a put option (the "**Put and Call Option Agreement**") over 60% of the shares of Alpen 2.0 S.r.l ("**Alpen**"), whose shareholders are Hydrodata S.p.A., Intecno – Ingegneria e Tecnologia S.r.l. (the "**Selling Shareholders**") and Maira. The call option can be exercised by Iren Energia from the execution date of the Put and Call Option Agreement (i.e. 28 September 2018) until the 48th month following such date, while the put option can be exercised by the Selling Shareholders until the 36th month following the execution date of the Put and Call Option Agreement (i.e. 28 September 2018). The Put and Call Option Agreement provides, *inter alia*, as condition precedent for the exercise of Iren Energia's call option, the completion of the authorisation procedures relating to Alpen's current hydroelectric projects. With its registered office in Turin, Alpen is intended to be a platform for the acquisition and operation of mini-hydroelectric plants, mainly in the north-west of Italy, and has in progress a number of greenfield development projects in Piedmont, with a total capacity of approximately 18 GWh/year. The overall transaction is part of a process of developing the Energy business unit by strengthening its presence in the Group's core territories, with a particular emphasis on production from renewable sources.

Market

Iren Mercato, a company with its registered office in Genoa, is the principal operating company in the Group's Market segment and manages the Group's energy portfolio. Iren Mercato operates in the sale of electrical energy, gas and heating, acts as fuel provider to the Group, provides customer management services to Group companies and supplies heating services and sales through the district heating (*teleriscaldamento*) network.

Iren Mercato operates at national level with a higher concentration of customers served in the Centre and North of Italy. The company supplies electrical energy either directly or through subsidiaries or companies in which it has a shareholding (where present in the area), and through agency contracts with intermediary companies for customers associated with certain sector categories and to large customers connected with a number of industrial associations. The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia.

Historically, Iren Mercato has also operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia. The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the chain related to the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, including through subsidiaries. This contractual model is designed to secure long-term

customer loyalty, with consequent maintenance of natural gas supplies, which constitute one of the core businesses of Iren Mercato.

On 16 May 2017, the company GEA Commerciale, already 100% owned by Iren Mercato, was merged by incorporation into Salerno Energia Vendite, with a consequent extension of the gas sales area.

On 6 September 2018, Iren Mercato completed its acquisition of the stake in Spezia Energy Trading S.r.l. ("**Spezia Energy Trading**") held by Spienergy S.p.A. (part of the Enoi group). Based in La Spezia in the region of Liguria, Spezia Energy Trading sells gas and electricity to the end user market, mainly small and medium-sized enterprises, both through its own sales network and through a portfolio of third party commercial partners who operate in the resale of the commodity purchased wholesale. Under the agreements, Spienergy S.p.A. transferred its entire portfolio of electricity and gas customers to Spezia Energy Trading before closing, including 1.6 TWh in power contracts and 0.26 TWh in gas contracts, primarily distributed throughout north-central Italy.

In 2018, the "new downstream" business line became fully operational. It was launched in 2017 and is aimed at marketing innovative products to retail customers in the areas of home automation, energy saving and maintenance of domestic systems. During the same period, "IrenGO with zero emissions" was also launched, an innovative product for electric mobility aimed at private customers, corporations, companies and public entities with the aim of reducing the environmental impact of transportation. The Group has already experimented with the potential and benefits of e-mobility through the launch of a series of initiatives, such as the installation of recharging infrastructure and the progressive introduction of electric vehicles. All IrenGO internal and external electric mobility initiatives have a 100% green energy supply from the Group's hydroelectric plants.

Sale of natural gas

Total volumes of natural gas procured during 2018 were approximately 2,845 million cubic metres, of which 1,159 million cubic metres were sold to customers outside the Group, 1,477 million cubic metres were used within the Iren Group both for electrical energy and thermal energy production and for the provision of heating services, whilst 209 million cubic metres of gas remained in storage.

As at 31 December 2018, there were approximately 907,000 gas retail customers managed by the Market business unit, mainly comprising customers located in the areas of Genoa, Turin and Emilia and the neighbouring development areas, as well as customers in the Vercelli area, supplied by Atena Trading, and in the Campania area supplied by Salerno Energia Vendite. In particular, Salerno Energie Vendite is present in almost all the provinces of Campania as well as in some municipalities in the regions of Basilicata and Calabria. Geographical coverage was further expanded with the acquisition of Spezia Energy Trading, which operates mainly in the La Spezia area.

Sale of electrical energy

In 2018, the Market business unit sold 8,931 GWh of natural gas. As of December 31, 2018, more than 876,000 retail electricity customers were managed in the areas traditionally served, namely Turin and Parma, and in the other areas commercially served by Iren Mercato and Atena Trading, and from the third quarter of 2018 also by Spezia Energy Trading.

Sale of heat energy through the district heating (teleriscaldamento) network

Iren Mercato manages heating sales to customers receiving district heating (*teleriscaldamento*) from the City of Genoa (*Comune di Genova*), as well as in the City of Turin and the Municipality of Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma. This entails the supply of heating to customers already on the district heating (*teleriscaldamento*) network, customer relations management and the control and management of sub-stations powering the heating systems in buildings served by

the network. The heating sold to customers is supplied by Iren Energia under trading conditions designed to ensure adequate remuneration.

For the year ended 31 December 2018, the total district heating (*teleriscaldamento*) volumes reached 93.7 million cubic metres, compared to 87 million in 2017.

Heating service management

The Group sells heating management services and global services to both private entities and public authorities.

LNG regasification plant

Through OLT Offshore LNG Toscana ("**OLT**"), in which the Issuer has a 46.79% shareholding, the Group has completed the project for an offshore regasification terminal off the coast of Livorno, which was constructed by converting the gas carrier Golar Frost. The plant has been fully operational since December 2013. On 8 October 2013, by Resolution 438/2013/R/gas ("**Resolution 438**"), that replaced Resolution 272/2013 setting an identical regime for the entire regulatory period 2014-17, the ARERA determined, *inter alia*, the criteria for tariff regulation of the LNG regasification service for the period from 2014 to 2017 with the aim of ensuring efficiency, together with reasonable and adequate remuneration on invested capital. In general, the guarantee factor (*Fattore di Garanzia or Fattore Correttivo dei Ricavi* or the "**Guarantee Factor**") is granted to any LNG terminal authorised by the Ministry of Economic Development (*Ministero dello Sviluppo Economico*). Pursuant to Resolution 438, the Guarantee Factor is applied to any LNG terminal, provided that it has been declared essential in accordance with the National Energy Strategy. On 3 September 2014 the Ministry issued a Decree whereby it classified the terminal as a strategic and essential infrastructure for the Italian gas system in accordance with the National Energy Strategy and accepted OLT Offshore LNG's request to waive its exemption from third party access (TPA) rights. The terminal therefore passed from the exemption regime to the regulated access regime. Resolution 438 remained however detrimental to OLT as it provided for a less favourable Guarantee Factor. The Guarantee Factor is to be applied for a period of twenty years starting from the year in which the terminal operator starts offering the regasification service and files the tariff proposal to ARERA.

OLT's actions against Resolutions 272 and 438 were joined under the action against Resolution 19/2014 that imposed on companies having waived the TPA exemption the obligation to enter into a 20-year transportation service agreement and to procure a third party guarantee covering the amount received as Guarantee Factor. OLT regarded those resolutions as discriminatory and challenged them, initially before the *Tribunale amministrativo regionale* (Regional administrative court or TAR), which ruled against OLT, and then before the *Consiglio di Stato* which, in August 2016, allowed the appeal by OLT and, accordingly, cancelled:

- the exclusion of the additional remuneration of 3 per cent. from the Guarantee Factor;
- the exclusion of the booking of the transport capacity of the network of the national gas transporter, Snam Rete Gas S.p.A. if not used;
- the obligation to return the Guarantee Factor in case of early termination of its business; and
- the relevant obligation on the part of the parent company to cover the Guarantee Factor.

OLT also appealed successfully against the ARERA resolutions approving the regasification tariffs for the years 2013-2015 on the grounds that they did not recognise any of the following costs incurred by it: (i) maritime tug services during regasification activity; (ii) operational costs (recognised only on the basis of their forecast); (iii) the re-evaluation deflector on ongoing intangible assets; (iv) gas costs for

power generation on the terminal and; (v) actual costs of purchasing LNG for the commissioning of the terminal.

At the end of July 2017, ARERA adopted the ruling of the *Consiglio di Stato*, recognising OLT's right of exemption, two-thirds of the additional remuneration (3 per cent) from the Guarantee Factor, one-third of the additional remuneration related to the allocated capacity and the costs incurred. Only LNG supply costs needed for electricity generation have been postponed.

On 22 March 2019, a new shareholders' agreement relating to OLT was entered into. See "*Recent Developments - OLT shareholders' agreement*" below.

Networks

Following the Group reorganisation, the activities related to the Networks business unit have been performed mainly by Ireti, which handles the integrated water cycle, electricity distribution, natural gas distribution and other minor activities. On 1 May 2016 Atena Trading also became part of the Group, operating in the supply of integrated water cycle services and electricity and gas distribution in the territory of the Municipality of Vercelli and in part of the Province of Vercelli.

Integrated water services

Ireti, directly and through the operating subsidiaries Iren Acqua S.p.A. ("**Iren Acqua**", formerly known as Mediterranea delle Acque S.p.A.) and Iren Acqua Tigullio S.p.A. (formerly Idrotigullio S.p.A.), together with ASM Vercelli since May 2016, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia and Vercelli.

With the acquisition of the business unit known as "*Ramo Ligure*" from Società Acque Potabili S.p.A. with effect from 1 July 2015, Ireti extended its presence in the territory with four more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the Genoa area and to the municipality of Bolano (La Spezia).

Overall in the optimal territorial areas (*Ambiti Territoriali Ottimali* or "**ATOs**") managed at 31 December 2018 (Genoa Area, Reggio Emilia, Parma, Piacenza, Savona and La Spezia), the service is provided in 265 municipalities serving over 2.8 million residents. With effect from 1 January 2017, subsequent to the acquisition of the additional "remaining" business unit from Acque Potabili S.p.A., IRETI further extended its management services of the different phases of the water cycle (distribution of drinking water, sewerage and waste water treatment) in various municipalities in the regions of Piedmont, Valle d'Aosta, Lombardy and Veneto, serving a total of approximately 133,000 residents.

In 2018, the Networks business unit supplied approximately 187 million cubic metres of water, through a distribution network of more than 23,300 km. With regard to sewage disposal, the company manages a network spanning approximately 11,000 km.

Gas distribution

Ireti distributes natural gas in 75 municipalities of the provinces of Reggio Emilia, Parma and Piacenza, in the City of Genoa and in 19 other municipalities nearby. Through ASM Vercelli, Ireti distributes gas in the Municipality of Vercelli and in 11 other municipalities in the province of Vercelli. The distribution network made up of approximately 8,000 km of high, medium and low pressure pipes serves an area of approximately 742,000 customers. in 2018, Ireti distributed approximately 1,303 million cubic metres of gas**.**

Electricity distribution

With approximately 7,654 km of network in medium and low voltage Ireti provides the electricity distribution service in the cities of Turin and Parma, while ASM Vercelli distributes electricity in the Municipality of Vercelli. Electricity distributed in 2018 amounted to 3,836 GWh.

Waste Management

The Waste Management business unit carries out the activities of waste collection and disposal mainly through three companies: Iren Ambiente, operating in the Emilia area, as well as Amiat S.p.A. ("**Amiat**") and TRM S.p.A. ("**TRM**") operating in the Piedmont area. ASM Vercelli operates in waste collection work in the Municipality of Vercelli and 26 other municipalities in the province of Vercelli. During 2016, the business unit's plant network grew as a result of the purchase of REI S.r.l. ("**REI**") in the Piedmont area and a minority stake in ReCos S.p.A. ("**ReCos**"), operating in the Liguria area, followed in the first half of 2017 by a 45% stake in G.A.I.A. - Gestione Ambientale Integrata dell'Astigiano S.p.A., which operates in the waste disposal business.

The Group carries out all the activities of the municipal waste management chain (collection, selection, recovery and disposal), paying particular attention to sustainable development and environmental protection, as shown by growing levels of separate waste collection. It also manages an important customer portfolio that provides all the services for special waste disposal.

In the first half of 2016 the Group acquired control over TRM, which has designed and built the waste-to-energy plant for municipal and similar waste serving the province of Turin and is in charge of its management up to 2034. The TRM plant has a waste-to-energy capacity of approximately 500 thousand tons/year of waste with energy recovery.

On 1 October 2016, Iren Ambiente acquired a 25.5% shareholding in ReCos based in La Spezia. ReCos performs both management and maintenance of the waste-derived fuel (WDF) production plant in the Municipality of Vezzano Ligure and the composting plant in the Municipality of Arcola. In December 2016, the Group acquired the single-plant company REI, set up for the creation of a new landfill site to include hazardous non-urban waste. Based in Pianezza (TO), the company began operations in the second quarter of 2017. Finally, following the award of the contract for the management of waste service in the municipalities that are members of the Waste Catchment Area Consortium of the Asti area, Iren Ambiente purchased a 45% stake in G.A.I.A. S.p.A., which is working on creating the waste processing plants and the station for the transfer of municipal waste to TRM.

On 17 October 2018 Iren Ambiente completed the acquisition from SMC Smaltimenti Controllati S.p.A. of a business unit consisting of an equity interest of 48.85% in Società Ecologica Territorio Ambiente S.p.A. ("**SETA**") and the activities of closure and post-closure management of the "Chivasso 0" landfill site. SETA is the concession holder of the integrated municipal waste collection service in "Catchment Area 16" with approximately 228,000 inhabitants in more than thirty municipalities in the area to the north of Turin. The remaining 51.15% stake is held (directly or indirectly) by municipalities. SETA has more than 230 employees and collected approximately 90 Kton of waste in 2017. As a result of the transaction, the Issuer expects to achieve significant synergies with other Group companies operating in the territory of the Turin metropolitan area.

The Waste Management business unit currently owns three waste-to-energy plants. Of these, TRM Torino disposed of approximately 533,000 tonnes in 2018, PAI Parma of approximately 181,000 tonnes and Tecnoborgo Piacenza approximately 114,000 tonnes.

Strategy

In September 2018, the Board of Directors of the Issuer approved its business plan with a timeframe up to 2023 (the "**Business Plan**"). The Business Plan is intended to represent a "bridge" towards the new Iren which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs, aims to become an aggregation hub (i.e. at the centre of the expected trend towards greater consolidation in the industry) and a driver of development in the areas in which it operates.

The main strategic guidelines of the business plan to 2023 are:

- *A further drive to make processes more efficient, to make the Group's action increasingly fast, incisive and effective:* The Group has drawn up a "performance improvement" plan, involving all business areas which, through the optimisation of processes already identified, corporate rationalisation and considerable investments in infrastructure, systems and ICT, is intended to make it possible to achieve significant cost synergies together with a leaner, faster and more focused company, able to face future challenges more effectively. This profound renewal plan, launched in the second half of 2015, has already brought important results and is also expected to be the basis for the revision and optimisation of processes for the near future. The Group also completed the revision of its business model and the consequent corporate rationalisation, which are considered important enabling factors for achieving synergy targets.

- *The customer as a fundamental asset and lynchpin on which to build a new corporate culture made up of reliability, inclusivity and innovation*: The strategy, which has the objective of transforming the energy product from a commodity to a high value added service, is expected to be the basis of the Group's new commercial paradigm which aims at creating a satisfying customer experience, made up of energy saving, efficiency and innovation. All this is designed to make it possible to support the important acquisition and loyalty objectives included in the business plan.

- *Iren as main player in the consolidation process in its areas of reference:* During the last two years important transactions (such as Amiat, TRM and ASM Vercelli) have been completed, which have made it possible to be present with greater strength in several areas included in the Group's core territories. Over the next few years, a further effort in this direction is planned, which is expected to confirm Iren as the main aggregator and driver of development in the north-west of Italy.

- *All the plan's objectives to be developed in a framework of environmental, social and financial sustainability:* Environmental awareness has always characterised the Group's decisions and is also confirmed in its business plan, which puts the stress on activities with low environmental impact such as district heating networks and plant consolidation linked to the concept of "waste to material", as well as the implementation of smart-metering and smart-grids.

The Business Plan to 2023 lays out new and challenging objectives supplementing the medium- and long-term strategic pathway embarked on in 2015 and characterised above all by a particular focus on seeking maximum efficiency.

Also for the coming years, efficiency and sustainability are expected to be the fundamental strategic levers to manoeuvre the growth drivers identified in the new business plan successfully, linked above all to development of regulated and semi-regulated businesses and to a strong focus on energy customers. On the basis of these strategic lines the Group is aiming for growth in EBITDA, constantly rising Group profit, allowing for a clear dividend policy which puts the stress on growth in dividend per share, an improvement in the net financial indebtedness/EBITDA ratio and development of its role as aggregator hub and development driver in its core territories.

The operating targets outlined in the Business Plan to 2023 are expected to allow for strong cash generation such as to cover easily the challenging investment plan, of more than €2.2 billion, and are aimed at making it possible to achieve a balanced ratio between net debt and EBITDA of 3x. This is expected to guarantee for subsequent years notable financial flexibility which can be used to seize interesting investment and M&A opportunities or, in the absence of the latter, to remunerate shareholders further.

Capital Investments

The following table provides a breakdown of capital investments of the Group by business segment for the years ended 31 December 2018 and 2017.

	Year ended 31 December		Δ
	2018	**2017**	**2018-2017**
		(millions of Euro)	
Generation and District Heating	**80**	**56**	**24**
Hydroelectric	7	3	4
Cogeneration and District Heating networks	73	53	20
Other (capitalisation)	0	0	0
Market	**31**	**21**	**10**
Energy Infrastructure	**103**	**86**	**17**
Electricity networks	44	31	13
Gas networks	59	55	4
Regasification	0	0	0
Water Cycle	**165**	**121**	**44**
Waste Management	**31**	**27**	**4**
Other investments	**38**	**47**	**(10)**
Total	**448**	**358**	**89**

Legislative and Regulatory Framework

Some of the Group's operations are within heavily regulated sectors. The legislative and regulatory environment within which the Group operates is summarised in the section of this Base Prospectus entitled "*Regulation*" below. See also "*Risk Factors"*.

Concessions

The Group provides services under concessions or contracts in the following sectors:

- Natural gas;
- Electrical energy;
- District heating;
- Integrated water service; and
- Environmental service management.

The following is a summary of Group's key concessions through which it operates its regulated activities.

Natural gas distribution

Genoa area

The natural gas distribution service in the City of Genoa and the neighbouring municipalities is carried out by Ireti.

Emilia Romagna area

The natural gas distribution service in the Emilia provinces is managed by Ireti. These concessions are currently operating under a provisionally extended basis pending the launch of public invitations to tender.

Other geographical areas

The Group also operates through numerous other entities throughout Italy under concessions or contracts granted to mixed capital companies in which the Group companies have a direct or indirect investment. These concessions are currently operating under the extended regime pending the launch of public invitations tender.

The main gas concessions are as follows and have all expired but are continuing to operate pending their renewal or replacement:

- Province of Ancona / Macerata - Astea S.p.A. ("**Astea**") (21.32% owned by the GPO Consortium, in which Ireti holds a 62.35% stake): municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC); licence expired on 31 December 2010;
- Municipality of Vercelli - ASM Vercelli (subsidiary of Ireti): award in 1999 expired on 31 December 2010; and
- Province of Livorno - ASA S.p.A. (40% owned by Ireti): municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo: award expired on 31 December 2010.

Natural gas sales

In accordance with the provision of Legislative Decree No. 164 of 2000 ("**Letta Decree**") on unbundling, i.e. the separation of gas distribution activity from gas sales, the Group carries on the business of selling natural gas mainly through Iren Mercato, which also sells electricity.

This activity is also carried out through direct or indirect investment in vendor companies, including:

- Salerno Energia Vendite for the Grosseto area and for central-southern Italy; and
- Atena Trading for the Vercelli area.

Electrical energy sector

Ireti manages the public electricity distribution service in the city of Turin on the basis of a ministerial concession expiring on 31 December 2030 and also distributes electricity in the municipality of Parma, with the same expiry date.

Through its local business combinations, the Group distributes electrical energy in the following main areas:

- in the Marche area with Astea, due to expire in 2029; and
- in the Vercelli area with ASM Vercelli, due to expire in 2030.

District heating sector

The district heating distribution service in the City of Turin and the Municipality of Moncalieri is managed by Iren Energia. By an agreement in 2008, the municipality of Nichelino (in the urban district of Turin) awarded the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructure for the district heating service for a period of 30 years to the temporary association of companies established between Iren Energia, Iren Mercato and AES Torino S.p.A.,

which together established Nichelino Energia S.r.l., which was subsequently merged by incorporation into Iren Energia with effect from 1 October 2015.

Besides the existing concession for the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the municipality, and in the town of Nichelino, Iren Energia acquired an equity investment in the company Asti Energia e Calore S.p.A., incorporated on 18 May 2015, which provides the district heating service in the city of Asti under a sub-concession.

In addition, in December 2016 the Municipality of Beinasco announced that Iren Energia had won the concession for use of the municipal soil and subsoil for developing the district heating network and the related agreement was signed on 27 June 2017.

Integrated water services

The table below contains details of existing agreements in the Group's area of operations.

ATO	**Regime**	**Agreement date**	**Expiry date**
Genoa area	ATO/Operator Agreement	16 April 2004 / 5 October 2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011(*)
Parma	ATO/Operator Agreement	27 December 2004	30 June 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011(*)
La Spezia	ATO/Operator Agreement	20 October 2006	31 December 2033
Vercelli	ATO/Operator Agreement	13 March 2006	31 December 2023

(*) Service extended until new agreements are defined. These concessions are currently operating until a new operator is identified.

Genoa area

Ireti manages the integrated water service in 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The concession was granted by Decision No. 8 of the Genoa ATO authority in 2003 and is due to expire in 2032.

The integrated water service in the territory of the municipalities of the Province of Genoa is managed by Ireti through safeguarded operators. The authorised and/or safeguarded companies of the Group that perform the function of operator are Iren Acqua (60% controlled by Ireti), Iren Acqua Tigullio S.p.A. (66.55% controlled by Iren Acqua) and AMTER S.p.A. (49% owned by Iren Acqua).

On 23 April 2015 and with effect from 1 July 2015, the assets and legal relationships relating to the drinking water distribution business in the municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoa ATO were transferred by Acque Potabili S.p.A. to Iren Acqua Gas, which subsequently merged into Ireti.

Emilia Romagna area

The Group provides integrated water services on the basis of specific concessions granted by the respective local authorities, governed by agreements signed with the competent ATOs. Based on the laws of the Emilia Romagna region, water service agreements provide for 10-year concessions, except for the agreement relating to the Parma ATO, which sets the expiry date for the concession at 30 June 2025.

The integrated water services in the ATOs of Parma, Piacenza and Reggio Emilia are managed by subsidiaries of Ireti. Ownership of the assets and networks of the water segment made before 2006

was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against payment of a fee. Assets and networks of the water segment made from 2006 onwards belong to Ireti as far as the water business is managed (afterwards the surrender value will be recognised).

Other geographical areas

The Group also operates in the integrated water service sector in other parts of Italy through licences or concessions given by the competent municipalities to companies in which it has a direct or indirect shareholding.

The main licences and concessions are:

- Tuscany Coast (*Toscana Costa*) territorial competent authority: ASA S.p.A. (40% owned by Ireti), concession of integrated water service in the Municipality of Livorno and other municipalities in the province;
- Marche Centro – Macerata territorial competent authority: Astea (21.32% owned by GPO Consortium, which is in turn 62.35% controlled by Ireti), only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli territorial competent authority: ASM Vercelli (subsidiary of Ireti) for the Vercelli area;
- Municipality of Ventimiglia: Aiga S.p.A. (49% owned by Ireti);
- Alessandria territorial competent authority: Acos S.p.A. (25% owned by Ireti) for the Municipality of Novi Ligure; and
- Cuneo territorial competent authority: Mondo Acqua S.p.A. (38.5% owned by Ireti) manages the Municipality of Mondovì and seven other municipalities in the Cuneo area.

Environmental service management

The Iren Group provides waste management services on the basis of specific service concessions from the local authorities, governed by agreements signed with the provincial ATOs.

The table below contains details of existing agreements in the Group's area of operations.

ATO	**Regime**	**Agreement date**	**Expiry date**
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011(*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014(*)
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011(*)
Turin	ATO/Operator Agreement	21 December 2012	30 April 2033(**)

(*) Service extended until new agreements are finalised. These concessions are currently operating until a new operator is identified.

(**) The term is 20 years from the end of the provisional tariff system of the TRM waste-to-energy plant.

In a temporary grouping of companies with F2i and ACEA Pinerolese, the Iren Group was awarded the tender launched by the City of Turin in 2012 for the sale of 80% of the share capital of TRM and 49% of Amiat (subsequently increased to 80% following a further acquisition of 31% from the City of Turin at the end of 2014). Two SPVs were set up for the purchase of investments (TRM V and Amiat V). The company TLR V. (merged by incorporation into Iren Energia starting from 1 January 2016) was also set up, for the creation of the infrastructural and commercial district heating system between

the waste-to-energy plant and the district heating operators of the municipality of Grugliasco and Beinasco. TRM built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province, while Amiat is the company responsible for waste collection and transport in Turin.

Services provided to the City of Turin

In 2006, Iren Servizi e Innovazione took over the following from AEM Torino S.p.A.:

- the agreement with the City of Turin for the concession relating to street lighting and traffic light services, expiring on 31 December 2036;
- the management services concession for the municipal heating plants, expiring on 31 December 2014; and
- the management services contracts for electrical and special systems in municipal buildings, expiring on 31 December 2014.

In 2010, the Council of the City of Turin appointed Iren Servizi e Innovazione as the assignee of the maintenance services for thermal plants and electrical and special systems for municipal buildings until 31 December 2017. By a resolution of 27 November 2012, the City Council of Turin extended these service agreements to 31 December 2020. Following the merger by incorporation of Iren Servizi e Innovazione into Iren Energia with effect from 1 January 2017, Iren Energia took over the above agreement and the service contracts.

Financing

Facilities

The following table shows the Group's principal lending facilities as at 31 December 2018 and 2017.

Loan *(amount 50 mln or more)*	**Maturity date**	**Amount outstanding as at 31 December**	
		2018	**2017**
		(amounts in Euro)	
European Investment Bank 2008	15/06/23	54,000,000	66,000,000
European Investment Bank 2009	15/12/24(*)	0	74,015,596
European Investment Bank water services 2008	40 mln 31/12/22		
	35 mln 30/12/22		
	25 mln 29/12/23	25,904,762	54,191,068
European Investment Bank 2010	15/12/25(*)	0	82,655,641
European Investment Bank OLT	15/12/26	172,167,522	190,135,427
European Investment Bank Energy	100 mln 15/12/26		
	100 mln 15/12/27	160,791,387	176,956,931
Banca Regionale Europea 2014	31/12/18(*)	0	0
UniCredit 2014-2015	17/01/19(*)	0	50,000,000
Mediobanca 2014	16/11/18(*)	0	0
Intesa Sanpaolo 2015	28/05/19(*)	0	0
Mediobanca 2015	29/05/20	25,000,000	30,000,000
European Investment Bank water services 2014-2016	15/12/30	180,000,000	100,000,000
European Investment Bank district heating and waste services 2015	15/12/32	50,000,000	50,000,000
Pool BNP, BEI, UniCredit, Banca Popolare Vicenza (debt related to TRM S.p.A.)	31/12/29	275,683,172	295,030,140

(*) Refunded in advance.

Iren has a further €155 million available under a European Investment Bank facility for projects in district heating and waste services and electricity distribution networks.

Debt securities

Iren is currently the issuer of:

- the following Eurobond private placements, both of which are listed on Euronext Dublin:
  - €260,000,000 4.370 per cent. Notes due 2020, issued in three tranches in October 2013, November 2013 and March 2014, and maturing on 14 October 2020, of which €167,870,000 is outstanding following tender offers launched by the Issuer in November 2015 and 2016, and October 2017 (the "**2015, 2016 and 2017 Tender Offers**"); and
- the following syndicate Eurobond issues, all of which were subscribed for by Italian and foreign institutional investors and are listed on Euronext Dublin:
  - €300,000,000 3.00 per cent. Notes due 2021, issued in July 2014, of which €181,836,000 is outstanding following the 2015, 2016 and 2017 Tender Offers;

- €500,000,000 2.75 per cent. Notes due 2022, issued in November 2015 under the Programme, of which €359,634,000 is outstanding following the 2015, 2016 and 2017 Tender Offers;
- €500,000,000 0.875 per cent. Notes due 2024, issued in November 2016 under the Programme;
- €500,000,000 1.50 per cent. Green Notes due 2027, issued in October 2017 under the Programme; and
- €500,000,000 1.95 per cent. Green Notes due 2025, issued in September 2018 under the Programme.

Guarantees

Iren has issued guarantees and/or has procured the issue of guarantees by third parties. These relate to:

- guarantees for Group commitments of €403,780,000 as at 31 December 2018 (€369,791,000 as at 31 December 2017), the most significant of which have been issued in favour of:
  - ARPAE, in the sum of €75,632,000 for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
  - Turin Provincial Government, in the sum of €60,971,000 for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
  - ATO-R, in the sum of €41,000,000, as guarantees in the Amiat/TRM tender procedure;
  - the Italian state agency CONSIP, in the sum of €33,785,000 for electricity supply contracts;
  - the City of Turin, in the sum of €27,478,000 as guarantees in the Amiat/TRM tender procedure;
  - the Electrical Energy Market Operator (GME), in the sum of €27,400,000 to guarantee the market participation contract;
  - the Italian state pensions agency INPS, in the sum of €27,074,000 in relation to planned redundancies affecting certain employees of the Group;
  - the Customs Authority, in the sum of €20,592,000 to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
  - SNAM Rete Gas, in the sum of €18,442,000, of which €942,000 is in the interest of OLT in relation to the construction of a delivery point;
  - ATERSIR, in the sum of €14,306,000 for agreements with the Emilian areas S.I.I. (*Servizio Idrico Intergrato*) and S.G.R.U. (*Servizio di Gestione Intergrata dei Rifiuti Urbani*);
  - the Ministry of the Environment, amounting to €14,025,000;
  - SETA S.p.A., in the sum of €5,850,000 to guarantee the regular operating and post-closure of plant Chivasso 0;
  - Terna, in the sum of €5,088,000 to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;

- the Municipality of Parma, in the sum of €2,501,000 to guarantee the Cornocchio plant and for maintenance contracts;
- FCT Holding, in the sum of €2,000,000, as definitive guarantee in the AMIAT/TRM tender procedure;
- REAM Sgr S.p.A., in the sum of €1,931,000, to guarantee lease payments on properties transferred to the real estate fund Fondo Core MultiUtilities; and

- guarantees provided for subsidiaries and associates in the sum of €372,450,000, primarily to guarantee credit facilities and sales and parent company guarantees on behalf of Iren Mercato.

The most significant amounts of guarantees given on behalf of associated companies relate to Sinergie Italiane S.r.l. in liquidation, which are guarantees for credit facilities and comfort letters in the sum of €25,332,000 (€26,666,000 at 31 December 2017). Since 1 October 2012, the company's operating activity comprises only the purchase of gas from Gazprom and its resale to shareholders or their subsidiaries, including Iren Mercato. As a result, the Issuer's financial exposure is gradually falling, with a corresponding decrease in shareholders' guarantee obligations.

Net financial debt

The following table shows a reconciliation of the Group's Net financial debt as at 31 December 2018 and 2017

	As at 31 December	
	2018	**2017**
	(thousands of Euro)	
Non-current financial assets	(147,867)	(165,767)
Current financial assets	(480,675)	(506,382)
Cash and cash equivalents	(369,318)	(169,086)
Non-current financial liabilities	3.013.303	3,023,888
Current financial liabilities	437,363	189,132
Net financial debt	**2,452,806**	**2,371,785**

(1) See also "*Alternative Performance Measures*" on page 6 of this Base Prospectus.

Environmental Protection

Respect and protection of the environment, the rational use of water resources, efficiency and the reduction in energy consumption, the development of renewable sources and the proper management of the integrated waste cycle are fundamental elements that direct the Group's strategic choices, as shown by the guidelines and as confirmed by the objectives of the Business Plan.

For these purposes, the Group has chosen to:

- diversify its production of electricity by including non-conventional sources, such as hydroelectric, waste-to-energy, photovoltaic and biomass plants;
- adopt a predominant cogeneration framework (production of electricity and thermal energy that feeds the district heating networks in different cities) of the Group's thermoelectric plants in order to contribute to containing specific greenhouse gas emissions;
- provide district heating *(teleriscaldamento)* with reduced emissions through cogeneration and waste-to-energy plants;

- promote water and energy savings in production processes, offering specific services to its customers and encouraging responsible consumption practices and behaviour by citizens;
- develop rational and sustainable water management by performing operations with a view to reducing leakages in the drinking water networks, by investing in sewer and treatment plants, and promoting water saving policies;
- adopt integrated waste management systems capable of intercepting a large quantity of material for recycling, only disposing of material that cannot be recycled, thereby recovering energy;
- promote electric mobility in the management of its activities and offer specific services to its customers.

Share Capital and Shareholder Structure

Share capital

As at 31 December 2018, Iren had a share capital of €1,300,931,377, fully paid up and consisting of 1,300,931,377 ordinary shares with a nominal value of €1.00 each. Save as described in "*Recent Developments – Share buyback programme*" below, there have been no changes to the Issuer's share capital since 31 December 2018.

The Issuer's shares are admitted to trading on the Blue Chip segment of the MTA. and are included in the FTSE Italia All-Share and FTSE Italia Mid Cap index.

Shareholders

Iren has a widely distributed share ownership structure with over 90 different public shareholders mainly consisting of (i) municipalities from the Emilia Romagna region (the municipality of Reggio Emilia with 40 municipalities in the Province of Reggio Emilia, the municipality of Piacenza, the municipality of Parma, directly and acting through S.T.T. Holding S.p.A. and Parma Infrastrutture S.p.A.), (ii) the City of Genoa acting through Finanziaria Sviluppo Utilities S.r.l. ("**FSU**"); (iii) the City of Turin acting through Finanziaria Città di Torino Holding S.p.A. ("**FCT Holding**"); and (iv) 26 Municipalities in the provinces of La Spezia, including La Spezia Municipality as well and Liguria Patrimonio S.r.l. In addition, there are several Italian and international institutional investors and private shareholders.

FSU was previously controlled jointly by the City of Genoa and the City of Turin but, following its demerger in July 2018, is now wholly owned by the City of Genoa, whereas the City of Turin now holds its shares in the Issuer though FCT Holding, in which it holds 100% of the share capital.

The following table sets out details of the persons who have significant shareholdings in the Issuer as at the date of this Base Prospectus, which is based on disclosures required under Italian law to be made to the Issuer and to CONSOB (the Italian financial markets regulator).

Shareholder	**Number of shares**	**% of total share capital**
Finanziaria Sviluppo Utilities S.r.l.	245,249,617	18.85%
Finanziaria Città di Torino Holding S.p.A.	179,567,795	13.80%
Municipality of Reggio Emilia	84,717,464	6.51%
Municipality of Parma	41,158,566	3.16 %
Municipality of Piacenza	17,459,547	1.34%
Other Municipalities in Emilia	70,606,428	5.43%
Municipality of La Spezia	9,838,560	0.76%
Other municipalities in the Province of La Spezia,	14,867,140	1.14%

including Liguria Patrimonio S.r.l.		
Other Municipalities	534,070	0.04%
Treasury shares	3,375,305	0.26%
Other shareholders	633,556,885	48.70%
Total	**1,300,931,377**	**100.00%**

As at the date of this Base Prospectus, shareholdings held by public entities represented 51.04% of the total share capital of the Issuer.

Since 1 June 2018, the Issuer's By-laws have entitled shareholders holding their shares for over 24 months to be included, on request, in the special register of shareholders with enhanced voting rights, which they may exercise when voting on resolutions regarding:

- the appointment and/or removal of members of the Issuer's board of directors or of its board of statutory auditors;
- any action against any director or statutory auditor seeking to establish their liability to the Issuer arising whilst acting in that capacity; and
- amendments to the sections of the By-laws that govern enhanced voting rights;

As at the date of this Base Prospectus, the Issuer's 1,300,931,377 ordinary shares confer voting rights as follows:

- 629,000,874 ordinary shares with enhanced voting rights, conferring
  - 1,258,001,748 votes (i.e. two votes per share) on resolutions proposed at shareholders' meetings with weighted voting; and
  - 629,000,874 (i.e. one vote per share) on all other shareholders' resolutions; and
- 671,930,503 ordinary shares without enhanced voting rights, conferring 671,930,503 votes (i.e. one vote per share) on all resolutions proposed at shareholders' meetings.

Shareholders' agreements

On 9 May 2016, a shareholders' agreement (the "**Shareholders' Agreement**") between FSU and 64 public shareholders in Emilia (the "**Emilian Parties**") was signed, replacing the previous shareholders' agreement, with the aim of, among other things, safeguarding the unity and stability of the direction of the Issuer. The Shareholders' Agreement includes a veto and voting syndicate, with the objective of safeguarding the development of the Issuer, its subsidiaries and its activities and, in particular: (i) to determine how to consult and take certain joint decisions at shareholders' meetings; and (ii) to set limits on the circulation of ordinary shares. On 8 May 2018, following completion of the ACAM transaction in April 2018 (see "*Recent Developments*" below), 26 municipalities in the province of La Spezia, including La Spezia Municipality, (the "**La Spezia Parties**") became part of the Shareholders' Agreement. In addition, as a result of the demerger of FSU, FCT Holding replaced FSU in the Shareholders' Agreement in relation to the Iren shares assigned to it (see "*Shareholders*" above).

The voting syndicate under the Shareholders' Agreement now covers all shares held by the parties to the agreement, currently 645,953,219 ordinary shares, representing 49.65% of the Issuer's share capital. In addition, a total of 531,213,248 ordinary shares of Iren, representing 40.83% of Iren's share capital cannot be sold while the agreement is in force.

On 9 May 2016, a further agreement (the "**First Sub-Shareholders' Agreement**") was signed by the Emilian Parties, covering all the shares held by them. The objectives of the First Sub-shareholders' Agreement are to (i) ensure the unity of conduct and rules on the decisions to be taken by the parties

to the First Sub-Shareholders' Agreement, in compliance with the Shareholders' Agreement; (ii) grant pre-emption rights in the event of disposals of shares not included in the voting syndicate in favour of the parties to the agreement; (iii) grant to the Municipality of Reggio Emilia an irrevocable mandate to exercise certain rights of the other parties to the First Sub-Shareholders' Agreement. A total of 189,442,917 ordinary shares of the Issuer are covered by the First Sub-Shareholders' Agreement, which confer: (a) 378,402,954 voting rights in relation to resolutions at shareholders' meeting resolutions with weighted voting; and (b) 189,442,917 voting rights with respect to all other resolutions. Both agreements are for a term of three years starting from 9 May 2016, automatically renewed at the end of that period for a further two years, unless terminated by notice.

On 17 July 2018, as a consequence of the demerger of FSU, a further voting syndicate agreement (the "**Second Sub-Shareholders' Agreement**") was signed by FSU and FCT Holding, covering all the Iren shares held by them. The objectives of the Second Sub-Shareholders' Agreement are to ensure the joint exercise of voting rights and the power to indicate candidates for Issuer's corporate's offices in compliance with the Shareholders' Agreement, so as to ensure that all the provisions of the Shareholders' Agreement relating to FSU are jointly and seamlessly observed by FSU and FCT Holding. Furthermore, FSU and FCT Holding agree to act as if they were a single shareholder with respect to the other parties of the Shareholders' Agreement.

On 5 April 2019, the extraordinary shareholders' meeting of Iren approved a number of amendments to the Articles of Association resulting from the signing of a supplementary and amending deed to the Shareholders' Agreement on 9 May 2019 (the "**Addendum**") aimed at updating, among other things, Iren's governance following the changes resulting from the demerger of the Member FSU and the accession to the Shareholders' Agreement by the La Spezia Parties. In addition, as of 5 April 2019, the Emilian Parties signed an addendum to the First Sub-Shareholders' Agreement to ensure coordination with the Shareholders' Agreement as amended by the Addendum.

Corporate Governance

Corporate governance rules for Italian companies like Iren, whose shares are listed on Borsa Italiana, are provided under the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 and the corporate governance rules set out in the voluntary code of corporate governance issued by Borsa Italiana.

Iren has adopted a system of corporate governance, based on a conventional organisational model involving shareholders' meetings, the Board of Directors (which operates through the directors who have executive authority and are empowered to represent Iren), the committees established by the Board of Directors, the Board of Statutory Auditors and the independent auditors.

Board of Directors

The current members of the Board of Directors were appointed by the Issuer's shareholders' meeting on 22 May 2019 for a period of three years. The following table sets out the current members of the Board of Directors of Iren and the main positions held by them outside Iren:

Name	Position	Main positions held outside Iren
Renato Boero	Chairman	Chairman of TRM S.p.A.
Moris Ferretti	Vice President	Chairman of Iren Energia S.p.A. Director of Quanta Stock and Go S.r.l. Chairman of CCPL S.p.A. Director of CCPL 2 S.p.A. Director of CCPL S.C.
Vito Massimiliano Bianco	Chief Executive Officer	-

Name	Position	Main positions held outside Iren
Sonia Maria Margherita Cantoni	Director and Member of Risks, Control and Sustainability Committee	Director of Ireti S.p.A. Director of Fondazione Social Venture Giordano Dell'amore
Pietro Paolo Giampellegrini	Director and Chairman of Remuneration and Appointments Committee	Chairman of Iren Mercato S.p.A.
Enrica Maria Ghia	Director and Member of Risks, Control and Sustainability Committee	Director of Isagro S.p.A. Chairman of Jurisnet S.T.A. S.r.l.
Alessandro Giglio	Director and Member of Committee for Transactions with Related Parties	Director of Iren Energia S.p.A. Director of Classtvmoda Holding S.r.l. Chairman of Cloudfood S.r.l. Chief Executive Officer of Giglio Group S.p.A. Chairman of Ibox S.r.l. Sole Director of Maxfactory S.r.l. Sole Director of Meridiana Holding S.r.l. Chairman of Giglio Fashion S.p.A.
Francesca Grasselli	Director and Member of Remuneration and Appointments Committee	Vice President of GHG Holding S.p.A. Vice President of GHG RE S.r.l. Director of Grasselli S.p.A. Chairwoman and CEO of GWN Holding S.r.l. Vice President of KF Economics – Market Intelligente S.r.l.
Maurizio Irrera	Director and Member of Remuneration and Appointments Committee	Director of Iren Mercato S.p.A. Director of Permicro S.p.A. Vice President of REAM SGR S.p.A. Chairman of AGFA Finance Italy S.p.A.
Cristiano Lavaggi	Director and Member of Risks, Control and Sustainability Committee	Sole Director of Liguria Patrimonio S.r.l. Sole Director of Mafalda S.r.l.
Ginevra Virginia Lombardi	Director and Member of Committee for Transactions with Related Parties	Chairwoman of Supervisory Board of Azienda Servizi Ambientali S.p.A.
Giacomo Malmesi	Director, Chairman of Risks, Control and Sustainability Committee and Member of Committee for Transactions with Related Parties and Member of Control and Risk Committee	Director of Iren Ambiente S.p.A. Director of Azienda Agricola Bocchi S.p.A. Vice President of Immobiliare degli Orti S.p.A. Director of Malmscot s.r.l.s. Director of Nuovo Inizio S.r.l. Vice President of Parma Calcio 1913 S.r.l. Director of SICEM – SAGA S.p.A.
Tiziana Merlino	Director	Director of Tecnologie Innovative per il controllo Ambientale e lo sviluppo sostenibile S.c.r.l.
Gianluca Micconi	Director	Director of Piacenza Collaudi e Manutenzioni S.r.l. Director of Centro Revisioni Diagnosi e Collaudi S.r.l.
Licia Soncini	Director, Chairwoman of Committee for Transactions with Related Parties	Director of Atlantia S.p.A. Chairwoman of Board of Directors of Nomos Centro Studi Parlamentari.

The business address of each of the members of the Board of Directors is the Issuer's registered office.

Board of Statutory Auditors

The shareholders' meeting of Iren held on 19 April 2018 appointed the Board of Statutory Auditors of Iren for a period of three financial years.

The following table sets out the current members of the Board of Statutory Auditors of Iren and the main positions held by them outside Iren:

Name	Position	Main positions held outside Iren
Michele Rutigliano	Chairman	Chairman of Board of Statutory Auditors of UniCredit Subito Casa S.p.A. Chairman of Board of Statutory Auditors of Bancomat S.p.A. Chairman of Board of Statutory Auditors of Cordusio Sim S.p.A. Chairman of Board of Statutory Auditors of Fiditalia S.p.A. Statutory Auditor of Iren Energia S.p.A. Statutory Auditor of Ireti S.p.A.
Cristina Chiantia	Statutory Auditor	Statutory Auditor of Società Sinloc S.p.A. Statutory Auditor of IREN Mercato S.p.A. Statutory Auditor of San Germano S.p.A. Substitute Auditor of EXE.GESI S.p.A. Substitute Auditor of RAI COM S.p.A. Chairman of Board of Statutory Auditors of Roboze S.p.A.
Simone Caprari	Statutory Auditor	Statutory Auditor of IREN Ambiente S.p.A. Director of Reggio Children – Centro Internazionale per la difesa e la promozione dei diritti e delle potenzialità dei bambini e delle bambine S.r.l. Director of Coopbox Group S.p.A. Director of CCPL S.p.A. Director of CCPL Consorzio Cooperative di produzione e lavoro SC Director of CCPL Inerti S.p.A. Director of Tangram S.p.A. Director of Resta S.r.l. Director of RR FIN S.p.A. Director of CCPL 2 S.p.A. Statutory Auditor of Aurum S.p.A. Sole Auditor of Kverneland Group Italia S.r.l. Substitute Auditor of Lavorwash S.p.A. Sole Auditor of Comeser S.r.l. Substitute Auditor of Elettrotek Kabel S.p.A. Chairman of Board of Statutory Auditors of Sicrea S.p.A

Name	Position	Main positions held outside Iren
Marco Rossi	Substitute Auditor	Statutory Auditor of Polifibra 2011 S.p.A. Statutory Auditor of Fornaroli Polimeri S.p.A. Independent Auditor of Capitelli F.lli S.r.l. Statutory Auditor of Consorzio Tutela Vini Doc Colli Piacentini Substitute Auditor of Consorzio Agrario Terrepadane Consorzio Agrario Scrl Statutory Auditor Cantine Romagnoli Villò S.r.l. Statutory Auditor Olimpia S.p.A. Chairman of Board of Statutory Auditors Musetti S.p.A.
Donatella Busso	Substitute Auditor	Independent Director of Prima Industrie S.p:A. Independent Director of DeA Capital S.p.A. Independent Director of Banca 5 S.p.A. Independent Director of Umbra Cuscinetti S.p.A. Chairwoman of Board of Statutory Auditors of Candioli Farmaceutici S.p.A. Statutory Auditor of Sfoglia Torino S.r.l.

The substitute auditors automatically replace any standing statutory auditors who resign or are otherwise unable to serve as a statutory auditor.

Conflicts of interest

At the date hereof, no member of the Board of Directors or the Board of Statutory Auditors has any private interests in conflict or potential conflict with his duties arising from his or her office or position within the Group.

Employees

At 31 December 2018, the employees working for the Iren Group totalled 7,042, compared to 6,285 employees at 31 December 2017.

Legal Proceedings

Due to its extensive customer base and the variety of its business, the Group is party to a number of civil, administrative and arbitration proceedings arising from the conduct of its corporate activities and may from time to time be subject to inspections by tax and other authorities. The Group is also involved in disputes with the Italian tax authorities. As at 31 December 2018 the Issuer had a provision in its consolidated financial statement for legal proceedings in the sum of €108,136 thousand. At the date of this Base Prospectus the Issuer's management has no grounds for believing that this provision may be inadequate.

With regard to the existing claims and proceedings against companies of the Group, although it is difficult to determine their outcome with certainty, the management of the Group, based on information available as at the date of this Base Prospectus, believes that:

(i) liabilities relating to these claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the consolidated financial condition or result of operations of the Group;

(ii) where liabilities relating to these claims and proceedings are probable and quantifiable, adequate provision has, in terms of established reserves and in the light of the circumstances currently known to Iren, been made in the Group's financial statements; and

(iii) where liabilities relating to these claims and proceedings are not probable or probable but not quantifiable, adequate disclosure has been made in the Group's financial statements.

Recent Developments

OLT shareholders' agreement

On 22 March 2019, a shareholders' agreement was entered between Iren Mercato and ASA - Azienda Servizi Ambientali S.p.A. ("**ASA**"), a company in which the Group has a 40% stake, and First State SP S.à r.l. ("**FSI**") relating to the governance and circulation shares of OLT. FSI is an international division of Colonial First State Global Asset Management and is active in the management of infrastructure investments, including a broad portfolio of investments in utilities operating in several European countries. The shareholders' agreement takes effect upon completion of an agreement entered into on the same date, by which Uniper Global Commodities SE ("**Uniper**") agreed to sell all its OLT shares to FSI. Under the agreements currently in place with Uniper, Iren and ASA have a tag-along right in the event of any sale of all or part of the shares of OLT, which may be exercised within six months of receipt of notice of the sale, which was given on 22 March 2019. The Issuer is evaluating its options to maximise the value of its shareholding in OLT, which is no longer considered strategic within the Group's portfolio of businesses, while continuing to support the development of Iren.

Share buyback programme

By a resolution passed at the shareholders' meeting of the Issuer on 5 April 2019, the Board of Directors was authorised to purchase and dispose up to 65,000,000 of the Issuer's ordinary shares over an eighteen-month period and, on the same date, the Board of Directors resolved to start a programme for the purchase up to 26,000,000 ordinary shares, representing 2% of the Issuer's share capital. On 14 May 2019 the Issuer launched the first tranche of the buyback programme. The purpose of the programme is to provide the Issuer with treasury shares to be used for mergers and acquisitions, consistent with the strategic policy that the Issuer intends to pursue, including the exchange, trade-in, transfer, assignment or other disposals of treasury shares as consideration for the acquisition of shareholdings or blocks of shares, for industrial projects or other extraordinary transactions involving the allotment or sale of treasury shares.

As at 21 June 2019, the Issuer held 3,375,305 treasury shares, representing 0.259% of its share capital.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain:

(i) the consolidated statement of financial position of the Issuer as at 31 December 2018 and 2017 and its income statement for the years ended 31 December 2018 and 2017, derived from the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2018 and 2017 and

(ii) the consolidated statement of financial position of the Issuer as at 31 March 2019 and 31 December 2018, and the consolidated income statement of the Issuer for the three months ended 31 March 2019 and 2018, derived from the Issuer's unaudited consolidated interim financial information as at and for the three months ended 31 March 2019.

This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2018 and 2017, and its unaudited consolidated interim financial information as at and for the three months ended 31 March 2019, in each case together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*".

Access to copies of all the above-mentioned annual and half-yearly financial statements of the Issuer are available as described in "*Information Incorporated by Reference – Access to documents*" above.

Basis of preparation of financial information

The Issuer has prepared its consolidated annual and half-yearly financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union.

Auditing of financial information

PricewaterhouseCoopers S.p.A., the current auditors to the Issuer, have audited the consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2018 and 2017. The consolidated interim financial information of the Issuer as at and for the three months ended 31 March 2019 has not be audited or reviewed by independent auditors.

IREN S.p.A.
AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION

Assets

	As at 31 December	
	2018	**2017**
	(thousands of Euro)	
Property, plant and equipment	3,471,958	3,449,344
Investment property	12,820	13,137
Intangible assets with a finite useful life	2,009,986	1,653,977
Goodwill	149,713	127,320
Investments accounted for using the equity method	134,594	161,255
Other equity investments	7,223	7,126
Non-current trade receivables	69,068	69,801
Non-current financial assets	147,867	165,767
Other non-current assets	43,130	44,614
Deferred tax assets	360,298	277,771
Total non-current assets	**6,406,657**	**5,970,112**
Inventories	73,799	61,984
Trade receivables	983,836	895,788
Current tax assets	11,445	7,365
Other receivables and other current assets	241,879	276,347
Current financial assets	78,775	506,382
Cash and cash equivalents	369,318	169,086
Total current assets	**1,759,052**	**1,916,952**
Assets held for sale	402,424	8,724
TOTAL ASSETS	**8,568,133**	**7,895,788**

IREN S.p.A.

AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (Cont'd)

Equity and Liabilities

	As at 31 December	
	2018	**2017**
EQUITY	*(thousands of Euro)*	
Equity attributable to shareholders		
Share capital	1,300,931	1,276,226
Reserves and retained earnings (losses)	642,396	608,184
Net profit (loss) for the period	242,116	237,720
Total equity attributable to shareholders	**2,185,443**	**2,122,130**
Equity attributable to minorities	376,928	376,673
Total equity	**2,562,371**	**2,498,803**
LIABILITIES		
Non-current financial liabilities	3,013,303	3,023,888
Employee benefits	108,109	116,483
Provisions for risks and charges	439,497	430,133
Deferred tax liabilities	211,553	213,760
Other payables and other non-current liabilities	474,778	222,595
Total non-current liabilities	**4,247,240**	**4,006,859**
Current financial liabilities	437,363	189,132
Trade payables	914,938	827,477
Other payables and other current liabilities	284,285	269,720
Current tax liabilities	32,049	15,295
Provisions for risks and charges - current portion	89,887	88,502
Total current liabilities	**1,758,522**	**1,390,126**
Liabilities related to assets held for sale	-	-
Total liabilities	**6,005,762**	**5,396,985**
TOTAL EQUITY AND LIABILITIES	**8,568,133**	**7,895,788**

IREN S.p.A.
AUDITED CONSOLIDATED ANNUAL INCOME STATEMENT

	For the year ended 31 December	
	2018	**2017**
	(thousands of Euro)	
Revenue		
Revenue from goods and services	3,764,386	3,448,664
- of which non-recurring	*41,238*	
Change in work in progress	(84)	(22,792)
Other income	276,387	271,263
Total revenue	**4,040,689**	**3,697,135**
Operating expenses		
Raw materials, consumables, supplies and goods	(1,377,066)	(1,248,639)
Services and use of third-party assets	(1,271,959)	(1,166,638)
Other operating expenses	(64,653)	(99,814)
Capitalised expenses for internal work	33,198	27,724
Personnel expenses	(393,618)	(389,552)
Total operating expenses	**(3,074,098)**	**(2,876,919)**
GROSS OPERATING PROFIT (EBITDA)	**966,591**	**820,216**
Depreciation, amortisation, provisions and impairment losses		
Depreciation and amortisation	(354,947)	(321,865)
Provisions for impairment of receivables	(52,217)	(46,660)
Other provisions and impairment losses	(28,933)	(31,342)
Total depreciation, amortisation, provisions and impairment losses	**(436,097)**	**(399,867)**
OPERATING PROFIT (EBIT)	**530,494**	**420,349**
Financial income and expense		
Financial income	42,844	46,246
Financial expense	(148,976)	(128,678)
Total financial income and expense	**(106,132)**	**(82,432)**
Share of profit (loss) of associates accounted for using the equity method	776	22,532
Value adjustments on equity investments	(35,614)	8,670
Profit/(loss) before tax	**389,524**	**369,119**
Income tax expense	(116,287)	(104,359)
Net profit (loss) from continuing operations	**273,237**	**264,760**
Net profit (loss) from discontinued operations	-	-
Net profit (loss) for the period	**273,237**	**264,760**
attributable to:		
- Profit (loss) for the period attributable to shareholders	242,116	237,720
- Profit (loss) for the period attributable to minorities	31,121	27,040
Earnings per ordinary and savings share		
- basic (Euro)	0.19	0.19
- diluted (Euro)	0.19	0.19

IREN S.p.A.
UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Assets

	As at	
	31 March 2019	**31 December 2018**
	(thousands of Euro)	
	(Unaudited)	
Property, plant and equipment	3,568,291	3,471,958
Investment property	12,733	12,820
Intangible assets with a finite useful life	2,055,475	2,009,986
Goodwill	160,740	149,713
Investments accounted for using the equity method	134,690	134,594
Other equity investments	7,226	7,223
Non-current trade receivables	73,004	69,068
Non-current financial assets	190,264	147,867
Other non-current assets	35,483	43,130
Deferred tax assets	380,939	360,298
Total non-current assets	**6,618,845**	**6,406,657**
Inventories	46,191	73,799
Trade receivables	1,187,453	983,836
Current tax assets	13,379	11,445
Other receivables and other current assets	233,962	241,879
Current financial assets	70,934	78,775
Cash and cash equivalents	329,824	369,318
Total current assets	**1,881,743**	**1,759,052**
Assets held for sale	382,424	402,424
TOTAL ASSETS	**8,883,012**	**8,568,133**

IREN S.p.A.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (Cont'd)

Equity and Liabilities

	As at	
	31 March 2019	**31 December 2018**
	(thousands of Euro)	
EQUITY	**(Unaudited)**	
Equity attributable to shareholders		
Share capital	1,300,931	1,300,931
Reserves and retained earnings (losses)	862,101	642,396
Net profit (loss) for the period	99,940	242,116
Total equity attributable to shareholders	**2,262,972**	**2,185,443**
Equity attributable to minorities	382,240	376,928
Total equity	**2,645,212**	**2,562,371**
LIABILITIES		
Non-current financial liabilities	3,120,931	3,013,303
Employee benefits	105,319	108,109
Provisions for risks and charges	422,242	439,497
Deferred tax liabilities	221,367	211,553
Other payables and other non-current liabilities	473,096	474,778
Total non-current liabilities	**4,342,955**	**4,247,240**
Current financial liabilities	377,287	437,363
Trade payables	955,103	914,938
Other payables and other current liabilities	357,112	284,285
Current tax liabilities	79,413	32,049
Provisions for risks and charges - current portion	125,930	89,887
Total current liabilities	**1,894,845**	**1,758,522**
Liabilities related to assets held for sale	-	-
Total liabilities	**6,237,800**	**6,005,762**
TOTAL EQUITY AND LIABILITIES	**8,883,012**	**8,568,133**

IREN S.p.A.
UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT

	For the three months ended 31 March	
	2019	**2018**
	(thousands of Euro)	
	(Unaudited)	**(Unaudited)**
Revenue		
Revenue from goods and services	1,235,335	1,006,125
Change in work in progress	-	-
Other income	42,311	59,377
Total revenue	**1,277,646**	**1,065,502**
Operating expenses		
Raw materials, consumables, supplies and goods	(508,113)	(389,778)
Services and use of third-party assets	(375,765)	(304,049)
Other operating expenses	(16,659)	(17,019)
Capitalised expenses for internal work	7,423	7,249
Personnel expenses	(110,309)	(92,720)
Total operating expenses	**(1,003,423)**	**(796,317)**
GROSS OPERATING PROFIT (EBITDA)	**274,223**	**269,185**
Depreciation, amortisation, provisions and impairment losses		
Depreciation and amortisation	(94,279)	(82,519)
Provisions for impairment of receivables	(4,655)	(5,205)
Other provisions and impairment losses	(3,515)	(4,127)
Total depreciation, amortisation, provisions and impairment losses	**(102,449)**	**(91,851)**
OPERATING PROFIT (EBIT)	**171,774**	**177,334**
Financial income and expense		
Financial income	6,213	5,878
Financial expense	(26,032)	(24,564)
Total financial income and expense	**(19,819)**	**(18,686)**
Share of profit/(loss) of associates accounted for using the equity method	(76)	(636)
Value adjustments on equity investments	**-**	-
Profit/(loss) before tax	**151,879**	**158,012**
Income tax expense	(45,315)	(48,211)
Net profit/(loss) from continuing operations	**106,564**	**109,801**
Net profit/(loss) from discontinued operations	-	-
Net profit/(loss) for the period	**106,564**	**109,801**
attributable to:		
- Profit (loss) for the period attributable to shareholders	99,940	103,215
- Profit (loss) for the period attributable to minorities	6,624	6,586

REGULATION

EU and Italian laws heavily regulate the Group's core energy, water and waste management businesses and may affect the Group's operating profit or the way it conducts business. The principal legislative and regulatory measures applicable to the Group's energy, water and waste management businesses are summarised below. Although this summary contains the principal information that the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis and assessment of the legislation and regulations affecting the Group and of the impact it may have on an investment in the Notes and should not rely on this summary only.

General framework

Regulations applicable to the supply of public services

The supply of local public services in Italy has been regulated through several provisions. Almost all such provisions have been repealed after a referendum held on 12 and 13 June 2011 (the "**Referendum**").

As of today (following the Referendum, the re-introduction of provisions analogous to those repealed by the Referendum and the consequent repeal of such new provisions by the Constitutional Court with judgement No. 199/2012) public services shall be awarded according to EU law principles. Therefore, local Authorities can arrange public services through: (i) third parties selected by public procurement procedures and (ii) by direct or *in- house* provision, whenever the market is unable to meet the needs of the community and making use of entities fully controlled by the local authority and exclusively engaged in the relevant activity.

More precisely, according to EU law, there are three accepted forms of public services awards:

- public tender for the selection of public service providers;
- direct granting of public services to a public private partnership (PPP), a cooperative venture between public authorities and private enterprises, where a private partner is chosen by a public tender procedure;
- the so called *in house providing mechanism*, which consists in a direct granting of public services to fully-public companies based on the following conditions: (i) the companies are 100% controlled by the awarding public entities, which shall exercise a similar control as the one exercised over their own departments (i.e. "*controllo analogo*"); and (ii) companies shall provide their main activity in favour of the awarding public entities (i.e. *attività prevalente*).

Competitors allowed to enter into such procurement procedures and entitled to become public services managers, are:

- "private operators", who may be selected to operate the service through a public tender procedure aimed at entrusting the whole public service; in this case, private operators take the form of joint-stock companies and are incorporated under Italian law;
- "private operators", who can also be in charge of the management of the service by purchasing shares in a public company and becoming a private partner of the latter. Even in this case, the alienation of the shares will take place through public tenders (whereas the service will be granted directly to the public/private enterprise set up once the private partner has been chosen through a public tender); in this regard, private operators in the procurement procedure must demonstrate their economic and financial standing, their suitability to pursue the professional

activity in question and their technical and/or professional ability; actually, the percentage share of the company to be granted through public tender is established at discretion of the Public Administration;

- "public companies", wholly owned by public entities can be granted public services through the *in- house providing*. This procedure excludes private operators and competitors.

On 20 October 2012 Law Decree No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to, *inter alia*, (i) gas distribution and (ii) distribution of electricity, but applies to water and waste services (for further details see paragraph *Water, Waste and Public Lighting Services* below).

New consolidated act on companies in which public entities have a shareholding (so-called "Madia Decree")

Legislative Decree 19 August 2016 No. 175 introduces a consolidated act regulating companies with public shareholders *(Testo unico in materia di societa a partecipazione pubblica* - "**Madia Decree**"). The Madia Decree has been published on the Italian Official Gazette (*Gazzetta Ufficiale)* on 8 September 2016 and has entered into force on 23 September 2016.

According to article 1, paragraph 5 of the Madia Decree, the same decree applies to "listed companies" (as defined under article 2, paragraph 2, letter p)), if expressly provided. Such definition of "listed companies" includes, among other things, also companies with public shareholders that have issued financial instruments listed on regulated markets, on or before 31 December 2015.

By decision of the Constitutional Court No. 251/2016, Law No. 124 of 7 August 2015 (by means of which the Italian Government was delegated to issue the Madia Decree), was partly declared unconstitutional whereby it provided that the Madia Decree was subject to the mere consultation with the Regions instead of their prior agreement to be reached through the *Conferenza Unificata* pursuant to Legislative Decree No. 281 of 28 August 1997. However, such decision should not have a direct and automatic impact on the Madia Decree as well as on the issue of the Notes. In fact the decision of the Constitutional Court expressly states that the legitimacy of any provision of the legislative decree issued on the basis of Law 124/2015 (including the Madia Decree) needs to be verified on a case by case basis, upon specific challenge, taking into account the remedies that the Italian Government will put in place in order to ensure the involvement of the Regions on the subject matters falling within their competence.

In this regard on 28 June 2017, Legislative Decree 175/2017 came into force, introducing a new consolidated act regulating companies with public shareholders *("**Testo unico in materia di societa a partecipazione pubblica**").*

EU energy regulation: the Third Energy Package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions carried out by the European Commission. In 2009, the European institutions adopted the EU Directive 2009/37/EC (the so- called "**Third Energy Package**"), which includes several directives and regulations aimed at completing the liberalisation of both electricity and gas markets. In particular, the Third Energy Package provides for the separation of supply and production activities from transmission network operations. To achieve this goal, Member States of the European Union have to choose between the following three options:

- full ownership unbundling. Under this option, vertically integrated operators have to sell their gas and electricity grids to an independent operator, which will carry out all network operations;

- Independent System Operator ("**ISO**"). Under this option, vertically integrated operators

maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations; and

- Independent Transmission Operator ("**ITO**"). This option is a variant of the ISO option under which vertically integrated operators do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The Third Energy Package also contains several measures aimed at enhancing consumers' rights, such as the right to: (i) change supplier within three weeks and free of charge; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner. The Third Energy Package also strengthens protection for small businesses and residential customers, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers. Finally, the Third Energy Package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the European Union.

As envisaged in the Third Energy Package, in March 2011 the Agency for the Cooperation of Energy Regulators ("**ACER**") began operations. ACER replaces and strengthens the European Regulators Group for Electricity and Gas ("**ERGEG**"). ACER coordinates the actions of the national regulatory authorities in the energy sector and its main responsibilities are:

- establishing and regulating the rules governing European electricity and gas networks;
- establishing and regulating the terms and conditions for access to (and operational security for) cross- border infrastructures where national authorities are in disagreement; and
- implementing the "Ten-Year Network Development Plan".

In Italy, the principles set out in the Third Energy Package (in particular, EU Directives 2009/72/EC, 2009/73/EC and 2008/92/EC), have been implemented by means of Legislative Decree 93/2011 and also by means of several resolutions adopted by ARERA.

The main provisions of Legislative Decree 93/2011 include:

- unbundling of the ISO, in order to prevent possible market abuses. In the electricity sector, the unbundling between grid ownership and production activity has been confirmed and the ISO is expressly prohibited from operating electricity production plants. For the gas sector, an ITO model has been adopted which, though maintaining a vertically integrated ownership structure, provides for more stringent functional separation rules and wider control and approval powers assigned to the ARERA;
- more efficient integration of renewable energy sources production into the electrical system; and
- confirmation of the exemption from the third party access obligation ("**TPA**") in respect of new interconnection infrastructure.

With reference to the electricity sector, the duration of the exemption from the TPA obligation will be set on a case-by-case basis and the exemption will elapse if the relevant works are not started or the relevant infrastructure has not entered into operation within the time limits set out in the relevant exemption measure. With reference to the gas sector, in addition to the time limit set out in the relevant exemption measure, the new rules provide for a 25 years cap for the duration of the exemption and for the activation of an open season procedure in order to assess the interest of third parties in the relevant infrastructure notwithstanding the TPA exemption.

On 21 December 2018, EU Directives Nos. 2018/2001/UE and 2018/2002/UE were published in the EU Official Journal. The directives redefine the regulatory framework on energy efficiency by establishing new objectives to be achieved in 2030.

EU Directive No. 2018/2001/UE replaces and repeals EU Directive No. 2009/28/CE and is intended to accelerate the transition from fossil fuels to renewable forms of energy with a binding target of 32% for renewable energy sources in 2030. The directive has to be transposed and implemented into national law in the Member States by 30 June 2021.

EU Directive no 2018/2002/UE replaces and repeals EU Directive No. 2012/27/UE and it aims at making binding annual energy savings of 32,5% in 2030. The directive has to be transposed and implemented into national law in the Member States by 25 June 2020.

EU Directive 2019/944 (the "**Directive 2019/944**") of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU was published on the Official journal of the European Union on 14 June 2019.

EU Regulation 2019/943 (the "**Regulation 2019/943**") of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity was also published on the Official journal of the European Union on 14th of June 2019.

Directive 2019/944 and Regulation 2019/943 will both enter into force on 4 July 2019.

Directive 2019/944 and Regulation 2019/943 complete the so called '*Clean Energy package'* that define the EU's energy union strategy made up of five dimensions: (i) energy security, (ii) fully integrated internal energy market, (iii) energy efficiency, (iv) climate action-decarbonising the economy, (v) research, innovation and competitiveness. According to the new rules on governance of the energy union, EU countries are required to develop integrated national energy and climate plans that cover these five dimensions for the period 2021 to 2030.

Italian energy regulation: Authorities

The Ministry for Economic Development ("**MED**") and the ARERA share the responsibility for overall supervision and regulation of the Italian energy sector. In particular, the MED establishes the strategic guidelines for the energy sector, while the ARERA regulates specific and technical matters. The ARERA, *inter alia*:

- sets electricity and gas distribution tariffs, as well as the price for previously regulated customers (or "protected costumers"), which have not yet chosen a different supplier taking into account law evolution. Regarding protected customers, Law No. 124, dated 4 August 2017 (the "**Competition Law**"), as modified by Law No. 108/2018 set the full market liberalization starting from 1 July 2020, therefore all customers starting from the same date will have to choose their own company on the free market where prices are fixed by the competition. In order to drive the end customers from the regulated to the free market, some market tools, such as the "tutela simile" contract, have been established, as better described below.
- makes observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;
- adopts measures for the functional separation (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electricity and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent (that is "unbundling");

- establishes guidelines for the provision and distribution of services, as well as specific and general service standards and automatic refund mechanisms for users and consumers when standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;
- protects the interests of customers, monitoring the conditions under which the services are provided and having the powers to demand documentation and data, carry out inspections, obtain access to plants and to impose sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;
- promotes the rational use of energy, the spread of energy efficiency measures and the adoption of measures for sustainable development;
- can impose sanctions to the companies operating in the energy sector and eventually accept and evaluate the undertakings of the energy sector companies, according to Legislative Decree 93/2011;
- handles out-of-court settlements and arbitrations of disputes between users or consumers and operators; and
- reports to the Italian Antitrust Authority (the "**AGCM**") any possible infringement of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

Furthermore, under Legislative Decree 93/2011, the ARERA establishes rules aimed at:

- achieving the highest quality level in the electricity and natural gas sectors;
- protecting vulnerable customers, by also increasing their level of protection and awareness;
- removing obstacles that could prevent the access of new operators to the electricity and gas markets.

The AGCM also plays an active role in the energy market in ensuring competition between suppliers and suppressing unfair commercial practices and misleading and unlawful comparative advertising.

Electricity

On 1 April 1999, Legislative Decree No. 79 dated 16 March 1999 (the "**Bersani Decree**") implementing Directive 96/92/EC, started the transformation process of the electricity sector from a highly monopolistic industry to one in which energy prices charged by producers are determined by competitive bidding and provided for a gradual liberalisation of the electricity market so that all customers (now defined "**Eligible Customers**"), are now able to contract freely with producers, wholesalers or distributors to purchase electricity.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduced competition with respect to electricity production and sales to Eligible Customers, while maintaining a monopolized structure with respect to electricity transmission and distribution. In particular, the Bersani Decree and the subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of electricity production, import, export, purchase and sale;
- as of 1 January 2003, provided that no company shall be allowed to produce or import, directly or indirectly, more than 50 per cent of the total electricity produced in and imported into Italy, in order to increase competition in the electricity market;
- provided the assignation by the MED of the concession of distribution to a unique operator per

municipality until 31st December 2030;

- provided for the establishment of the *Acquirente Unico* (the "**Acquirente Unico**" or the "**Single Buyer**"), a company which must enter into and operate supply contracts in order to guarantee the availability of the necessary production capacity and supply of electricity and the continuity, security and efficiency of service of the entire system, as well as equality of treatment, including tariff treatment;

- provided for the creation of the "Power Exchange", a virtual platform in which producers, importers, wholesalers, distributors[10],, the operator of the national transmission grid, the Single Buyer and other participants in the free market, buy and sell electricity at prices determined through a competitive bidding process (the "**Power Exchange**");

- provided for the creation of the entity that manages the Power Exchange (*i.e.* GME S.p.A., the "**Energy Market Operator**" or "**GME**"); and

- provided that, also pursuant to MED Decree of 20 April 2005 (as subsequently amended by MED Decree of 15 December 2010), transmission and dispatching activities are assigned to Terna S.p.A. ("**Terna**") as owner and independent operator of the national transmission grid, in accordance with the applicable regulatory regime set forth by the ARERA. Terna is a listed company whose largest shareholder is Cassa Depositi e Prestiti S.p.A., a state-owned financial institution. Terna must connect to the national transmission grid all parties who request connection, in accordance with the rules set out under the code for transmission, dispatching, development and security of the grid which was approved under ARERA Resolution No. 79 of 29 April 2005 and ARERA Resolution No. 49 of 3 March 2006 (the so-called "**Grid Code**").

In addition, Law No. 290 of 27 October 2003 required the reunification of ownership and management of the transmission grid. Law No. 239 of 23 August 2004 (the "**Marzano Law**") reorganised certain aspects of the electricity market regulatory framework, including the limitation of the "protected market" to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

Sale

Pursuant to Section 1, paragraph 2 of the Marzano Law, no governmental licence, consent or permit is required to carry out electricity sale and purchase activities. The sale activity can be split into wholesale and retail

Pursuant to Law Decree No. 73 of 18 June 2007, as of 1 July 2007, retail end users have the right to withdraw from existing electricity supply contracts, in accordance with the procedures established by the ARERA, and to select a different electricity supplier. For end users which have opted for free market conditions, the terms and conditions - including the price - of electricity supply contracts may be agreed between the supplier and the relevant end user. For end users that have not opted for free market conditions, the regulated tariffs apply, as set out under the "*Testo integrato delle disposizioni dell'autorità per l'energia elettrica e il gas per l'erogazione dei servizi di vendita dell'energia elettrica di maggior tutela e di salvaguardia ai clienti finali ai sensi del decreto legge 18 giugno 2007, No. 73/07*" (as subsequently amended and integrated, the "**TIV**"). The TIV provides as follows:

(i) households and small businesses that have fewer than 50 employees, a turnover lower than Euro 10 million and low levels of electricity consumption may access the so-called "*servizio di maggior tutela*" regulated market, for which the electricity tariffs are set by the ARERA.

[10] Distributors could sell electricity to their no-Eligible customers up to the establishment of the specific company selling electricity to no-Eligible customers.

Ultimately, the responsibility for the supply of electricity to such customers is on the Single Buyer. The regulated tariff is composed of different cost elements relating to the specific services provided (*i.e.* transport, distribution, marketing activities). Invoices to end users must show a breakdown of such costs;

(ii) end users not falling under paragraph (i) above only have access to the "safeguarded service" (so-called "*servizio di salvaguardia*"), under which electricity is provided at higher rates than the market rate in order to incentivise customers to access the free market; and

(iii) for customers falling under paragraphs (i) and (ii) above, the applicable rates and standard terms and conditions of supply are set out under ARERA resolutions (the most recent is ARERA Resolution No. 109/2019/R/EEL dated 26 March 2019 which set out the revised tariffs for the "*servizio di maggior tutela*" for the period April-June 2019).

Pursuant to Law Decree of 23 December 2013, No. 145 ("***Destinazione Italia* Decree**"), as enacted into law through Law No. 9 dated 21 February 2014, on the basis of the hourly energy trends on the free market, the ARERA determined by means of Resolution No. 170/2014/R/EEL dated 10 April 2014, the parameters for the calculation of the prices for electricity supply to end users who do not buy electricity on the free market.

The ARERA by means of Decision No. 369/2016/R/EEL dated 7 July 2016, as amended by means of the Decision No. 633/2016/R/EEL dated 4 November 2016, establishes a new semi-regulated regime for "protected customers" (the so-called "*tutela simile*") which entered into force on 1 January 2017 The "*tutela simile*" contracts will be offered only by electricity suppliers which meet the financial and dimensional requirements set out under ARERA Decision No. 369/2016/R/EEL. The characteristics of the "*tutela simile*" contracts will not be freely determined by each electricity supplier, but will have to be consistent with the predefined ARERA principles concerning duration, payments and termination. Therefore, end users can enter into a "tutela simile" contract only through the web until the complete liberalization of the market and such non-renewable contracts have a duration of 12 months. The suppliers must in any case offer to the potential clients the "*tutela simile*" offer, as possible alternative to free market conditions. The price of the electricity supply will be substantially in line with that under the "*servizio di maggior tutela*" (save for a one-off bonus which will be quantified by the supply company in favour of the end user on the first invoice).

In order to strengthen consumer choice and to facilitate a comparison of the offer proposed by operators in the free market, with Resolution 555/2017/R/com as amended by Resolution 848/2017/R/COM and Resolution 89/2018/R/COM, it was established that from January 1, 2018, all free market sellers will have to include among their offers the PLACET (as **P**rezzo **L**ibero **A** **C**ondizioni **E**quiparate di **T**utela - **PLACET**), which is a predefined offer for households and small businesses, under contractual terms set by the ARERA, but at prices freely determined by the seller, according to a clear and understandable structure. In this respect, with Resolution 89/2018/R/COM dated 15/2/2018, ARERA approved and published the format of the general supply conditions.

In addition, for retail transactions supply contracts are entered into directly with end customers and, therefore, the contract rules for the safeguard of consumer rights also apply (i.e. Legislative Decree of 6 September 2005, No. 206), together with the safeguard regulation and rules approved by the ARERA.

With regard to wholesale transactions, these may be carried out over the counter or on the Power Exchange market, or may consist of purchases by the Single Buyer. Please refer to section "*Regulated wholesale markets*" below.

The Competition Law, which came into force on 29 august 2017 after more than 2 years of Parliamentary scrutiny, as amended by law 108/2018 (the "**Milleproroghe Law**"), provides for the complete liberalization of the electricity (and gas) market, in particular:

(i) starting from 1 July 2020 the "*servizio di maggior tutela*" will turn into a *"servizio di salvaguardia*" for consumers left without a supplier in order to guarantee supply security in a fully liberalized framework from a pricing perspective. Consumers who will still be in "maggior tutela" on 30/06/2019 will have to switch to free market according to rules that will have to be defined by MED and ARERA. This deadline was postponed to 1 July 2020 by the Milleproroghe Law (converted into Law 108 dated 21 September 2018);

(ii) pursuant to Article 1, Paragraphs 80, 81 and 82, within 90 days from the date of entry into force of the Competition Law, the MED shall set up, as a condition and requirement for the relevant operator/seller to sell electricity to end users, the list of the entities qualified to sell electricity (the "**List of Qualified Sale Entities**" or "*Elenco dei soggetti abiliti alla vendita di energia elettrica ai clienti finali*") to the end users. The MED, following to the proposal of the ARERA, shall set out the criteria, the procedure and the technical, financial and reputational (*onorabilità*) requirements for the sale operators wishing to apply to the List of Qualified Sale Entities. The List of Qualified Sale Entities shall be published on the MED website and shall be monthly updated. In this respect, at the end of a specific consultation triggered by means of Resolution 663/2017/R/eel, with Resolution 762/2017/I/eel ARERA approved the proposal containing the criteria, the procedure and the technical, financial and reputational requirements for registration and permanence in the List of Qualified Sale Entities to be sent to MED. Subsequently, MED prepared a draft regulation which, on 7 June 2018, received the favourable opinion, with observations, from the Council of State. Once the relevant decree has been issued, the List will be published on the website of the Ministry of Economic Development and updated monthly;

(iii) pursuant to Article 1, Paragraphs 61-64, within 5 months from the date of entry into force of the Competition Law, the ARERA, in order to control retail market, will establish a web portal where it will be possible to compare the proposal supply of electricity and gas on the retail market. In this respect, with Resolution 51/2018/R/COM dated 1/2/2018, the ARERA set the general criteria to establish the web portal for the publication of offers to households and small businesses in the electricity and natural gas markets (the "**Offer Portal**") pursuant to article 1, paragraph 61, of Competition Law. Moreover, The Offer Portal, created by the Integrated Information System Operator ("**SII**"), is online from 1 July 2018 for the collection and publication of offers on the market for retail electricity and natural gas. The Offer Portal is intended for household and small businesses to compare the cost of electricity or natural gas in relation to their needs. The offers currently available on the Offer Portal are (i) the PLACET offers and (ii) the offers from the free market with the exception, for the moment, of those dual fuels (however visible in simplified form) and a series of offers, which will be shortly published for technical reasons;

(iv) Pursuant to Article 1, Paragraph 65, within 90 days from the date of entry into force of the Competition Law, the ARERA, in order to improve the transparency and comparability of offers, shall adopt the Guidelines for the promotion of electricity and gas commercial offers to buying associations and the creation of IT platforms that can facilitate the aggregation of small consumers. In this regard, with Resolution 191/2018/R/com, dated 29/3/2018, the ARERA launched a consultation on the guidelines for the promotion of electricity and natural gas commercial offers to buying associations; and

(v) Pursuant to Article 1, Paragraph 66, within 90 days from the date of entry into force of the Competition Law, the ARERA, shall transmit to MED a report concerning the monitoring of market retail which has been sent to MED on 1 March 2018 with Report 117/2018/I/com.

On 7 September 2017, ARERA adopted Resolution 613/2017/ R/ com on the initiation and renewal of separate proceedings for the implementation of measures provided for by the Competition Law on functional and accounting separation in the electricity sector, tariffs for the electricity distribution service and valuation of repayment values in respect of the tendering of tenders for the assignment of the natural gas distribution service.

With Resolution No. 15/2018/R/com, ARERA updated the provisions regarding unbundling in the electricity sector, as required by the Competition law. In particular, with Resolution 15/2018/R/com ARERA amended the integrated text of the provisions regarding the functional separation obligations for companies operating in the electricity and gas sectors ("**TIUF**" – *Testo integrato delle disposizioni in merito agli obblighi di separazione funzionale per le imprese operanti nei settori dell'energia elettrica e del gas"*) and the integrated text of the authority's provisions for electricity, gas and water for the regulation of closed distribution systems ("**TISDC**"- *Testo integrato delle disposizioni dell'Autorità per l'energia elettrica il gas e il sistema idrico per la regolazione dei Sistemi di Distribuzione Chiusi*), providing the exclusion from the functional separation obligations for:

- electricity distributors that serve less than 25,000 withdrawal points ("**PDR**") and which are not beneficiaries of tariff supplements;
- managers of closed distribution systems ("**SDC**").

Therefore, in the new regulatory framework, the obligation to provide electronic information on the status of functional separation:

- remains in respect of electricity distributors serving less than 25,000 withdrawal points (also to enable them to notify the ARERA of the application of the exclusion case introduced by the resolution);
- on the other hand, it is not envisaged for the operators of SDC (as these are separately recorded in the authority's personal data).

The obligations regarding unbundling accounting envisaged by the integrated text for unbundling accounting ("**TIUC"** - T*esto integrato delle disposizioni dell'autorità per l'energia elettrica il gas e il sistema idrico in merito agli obblighi di separazione contabile (unbundling contabile) per le imprese operanti nei settori dell'energia elettrica, del gas e per i gestori del servizio idrico integrato e relativi obblighi di comunicazione*) remain unchanged, both for electricity distribution companies with less than 25,000 PDR and for operators of SDC.

Electricity production

Article 8 of the Bersani Decree liberalised the regime for electricity production. In order to increase the level of competition in the market, the Bersani Decree provided that, as of 1 January 2003, no single electricity production company shall be allowed to produce or import, directly or indirectly, more than 50 per cent. of the total electricity produced and imported into Italy. Any operator which exceeds such threshold will incur severe fines imposed by the AGCM pursuant to article 15 of Decree Law No. 287 of 10 October 1990.

Authorization procedure for plants powered by renewable sources

Pursuant to Legislative Decree No. 387/2003 (the "**LD 387/2003**"), implementing EU Directive 2001/77/CE, photovoltaic, hydroelectric and other plants fuelled by renewable sources are authorized

through the so called "*autorizzazione unica*" (hereinafter defined as the "**AU**") granted by the Regions (or, as the case may be, by the relevant Province as entrusted by the relevant Region).

The AU is issued following the convening of a steering committee (the so called "***Conferenza dei Servizi***"), in order for all the competent authorities to examine contextually the various public interests involved in the relevant proceeding.

The AU substitutes all the authorizations, permits and way of leave required to construct, alter, increase the capacity of, totally or partially renovate and/or re-commission plants powered by renewable sources, as well as all relating works and the infrastructures indispensable for constructing and running such plants (including the relevant interconnection facilities). Once the AU is achieved, no further approval is needed (provided that however the AU holder fully complies in all respects with all the prescriptions and requirements set forth in such AU and in the permits and authorizations issued in the context of the *Conferenza dei Servizi*).

More specifically, Table A to Article 12 of LD 387/2003 provides that (i) solar plants on ground with a capacity not exceeding 20 kW and (ii) wind farm with a capacity not exceeding 60 kW, could be authorized by means of a simplified authorization procedure, namely the "*denuncia di inizio attività*" (hereinafter, the "**DIA**"), instead of the more complex AU procedure. It is worth highlighting that according to D.P.R. No. 380/2001 the DIA is a self-certification process whereby the applicant declares that the project in question complies with all relevant requirements and conditions. The competent authority can raise objections against the DIA within 30 days of receipt of the same DIA; should the objection not be raised within the 30-day term - which is mandatory - the authorization shall be deemed granted and the applicant is allowed to start the work (provided that all the authorizations, *nihil obstat* required in respect to the plant have been obtained, e.g. landscape authorization).

Both in the case of the AU and DIA procedures, continuing validity of the authorizations is subject to compliance with the prescriptions and requirements imposed therein and/or contained in permits/way of leaves issued by the various competent authorities involved in the authorization procedure (e.g. landscape authorizations, hydrogeological way of leave and so on).

Hydroelectric production

Pursuant to articles 822 and 823 of the Italian Civil Code, sea, beaches, ports, rivers, lakes and the other forms of water are Italian state property ("*demanio pubblico*"). The Italian legislative framework on the use and exploitation of public waters has been set forth by Royal Decree No. 1775, dated 11 December 1933 (as subsequently amended and integrated, the "**Consolidated Act on Public Waters**" or "*Testo Unico delle Acque*"). Pursuant to Article 2 of the Consolidated Act on Public Waters, only operators that have obtained a regular public concession can exploit public waters.

The granting of concessions for large scale diversions of water for hydroelectric power plants (i.e. those with an average nominal power higher than 3 MW) is subject to a public tender procedure. The Bersani Decree transferred the competence of management of the public property waters from State level to each one of the Regions of Italy.

By way of Law Decree No. 83 of 22 June 2012, as enacted into law through Law No. 134/2012 (the "**Development Decree**"), the Italian government issued certain regulations which affect the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provided that five years prior to the expiration of a large water concession, the competent authority should launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession

should be granted for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment.

In addition, Law. No. 12/2019 has redefined the regulatory framework on Concessions for major water transfers for hydroelectric purposes by amending the article 37 of Law Decree No. 83 of 22 June 2012. In particular, Law No. 12/2019 provides for the regionalisation of ownership of hydro-electric projects upon examination hydro-power concessions or in cases of withdrawal or revocation of the same.

According to Law No. 12/2019:

- in case of "wet works" (*Opere Bagnate: dighe, condotti*), the regionalisation of works is without charge. A compensation for the concessionaire is provided for the investments made if they were set out by the Concession and authorised by contracting authority;
- in case of "dry works" (*Opere Asciutte: beni materiali*), the regionalisation of works is with a consideration, which has to be quantified excluding the depreciated assets.

Furthermore, Law No. 12/2019 delegates the Regions to adopt a regulatory framework on public tenders for the assignment of concessions until 31 March 2020, if they do not deem to exist an overriding public interest for a different use of waters. In particular, the Regions are required to launch public tenders for two years after the entry into force of the relevant regional law. In the hypothesis of non-compliance with the starting time by Regions, the State shall exercise its substitution powers.

Thermoelectric: conventional and combined heat and power plants

Regarding the authorization for the construction and operation of a thermoelectric plant, the relevant legal framework, at national level, is set forth by:

- Presidential Decree No. 53 dated 11 February 1998 "*Regulation concerning the procedures related to the authorization for the construction and operation of conventional power plants, according to Art. 20 paragraph 8 of Law No. 59 dated 15 March 1997"* (the "**D.P.R. No. 53/1998**"); and
- Law Decree No. 7 dated 7 February 2002, as converted into law by Law No. 55/2002, concerning "*Urgent measures to guarantee the safety of the national electricity system*", as subsequently amended and supplemented by, *inter alia*, Laws Nos. 239/2003 and 99/2009 ("**Law Decree No. 7/2002**").

According to the provisions of the D.P.R. No. 53/1998, the authorization for the construction and operation and the authorization for the emissions into the atmosphere is issued by the Minister of Industry, Commerce and Trade (now, MED) following a single proceeding in which all the interested public authorities participate in a steering committee ("*Conferenza di Servizi*"). Moreover, Legislative Decree No. 112 dated 31 March 1998 (hereinafter the "**D. Lgs. No. 112/1998**"), reorganised the competences in the energy sector, transferring certain powers concerning granting of construction authorizations to Regions, Provinces and Municipalities. Law Decree No. 7/2002 further simplified the procedures concerning granting of authorizations for the construction and operation of power plants falling under the Ministry's competence (*i.e.* power capacity exceeding 300 MW).

Furthermore, Legislative Decree No. 20 of 8 February 2007, implementing Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC:

- on the one hand, Article 8 paragraph 1 reaffirms the Ministerial competence for cogeneration plants with thermoelectric power exceeding 300 MW and the procedures established by Law Decree No. 7/2002;

- on the other hand, Article 8 paragraph 2 prescribes to the competent authorities a single proceeding also for the issuance of the authorization for the construction and operation of cogeneration plants with thermoelectric capacity below 300 MW. Such single proceeding is set out under Legislative Decree No. 115 of 30 May 2008 (implementing the Directive 2006/32/EC on energy end-use efficiency and energy services). In particular, Article 11 paragraph 7 of Legislative Decree No. 115 of 30 May 2008 details timing and methods for the convening of the steering committee and the issuance of the relevant single authorization.

Finally, Law No. 99 of 23 July 2009, as subsequently amended by Legislative Decree No. 56/2010: pursuant to Article 27, paragraph 20, micro-cogeneration units (*i.e.* having nominal power capacity below 50 kW) are only subject to a simple communication to the competent Municipality. Instead, the installation and operation of small cogeneration units with nominal electrical power up to 1 MW or nominal thermoelectric power below 3 MW are subject to a declaration of start of activities ("**DIA**") according to articles 22 and 23 of the D.P.R. No. 380/2001.

Moreover, since thermoelectric power plants involve significant air pollution and release of emissions in the atmosphere, such plants will need to be granted with a specific additional authorization pursuant to Legislative Decree No. 152 dated 3 April 2006 (the "**Environmental Code**"). In particular, pursuant to Article 269 of the Environmental Code, all the plants and facilities that cause emissions in the atmosphere shall be authorized with a specific authorization to release emissions issued by the competent authority (the Region or the delegated Province), prescribing:

- the modalities for the conveyance of the emissions (if technically feasible);
- the emissions' limits, methods and timing of sampling and analysis and other specific prescriptions;
- specific prescriptions in order to limit fugitive emissions;
- the interval period between the entry into operation of the plant and its complete entry into operation ("*messa a regime*").

The authorization has a validity of 15 years from the date of granting and can be renewed upon request to be submitted to the competent authority at least one year before the expiry date.

Thermoelectric co-generative power plants which satisfy certain efficiency standards, may be granted with public incentives pursuant to the "*CAR – (Cogenerazione ad alto rendimento)*" incentives. Please refer to section "Efficiency in the end use of energy - White Certificates - CAR incentives" below.

Promotion of Renewable Resources

Feed-in tariff

Ministerial Decree of 6 July 2012 provided for the replacement of the incentive mechanism of Green Certificates by a new form of incentive, *i.e.* the feed-in tariff mechanism. The feed-in tariff mechanism, instead of relying on the issuance of negotiable certificates, provides for a direct payment from the GSE S.p.A. (hereinafter, the "**GSE**") to the relevant plant operator. This payment is in addition to the revenues arising from the energy enhancement.

In June 2016, the MED issued Ministerial Decree No. 26 dated 23 June 2016 ("**D.M. 23 June 2016**"). Such Decree provides for the mechanisms to obtain the incentives tariff for electricity produced from renewable energy sources other than photovoltaic ones and includes, as already set out under former FER decree dated 6 July 2012 four different awarding procedures depending on

(i) the type of works carried out (i.e. new facility construction or revamping);

(ii) capacity of the relevant plant (with a distinction between small plants, enjoying a direct access

to incentives; medium plants, subject to enrolment in a specific register and qualification under the eligibility list created therefrom; and big plants (i.e. those with capacity higher than 5 MW) that in order to be granted incentive tariffs must successfully participate in a Dutch auction procedure (allowances between 2% and 40% maximum));

(iii) relevant facility available capacity quota (varying according to energy source, plant size and kind of works carried out).

Following the entry into force of D.M. 23 June 2016 (on 30 June 2016), the Ministerial Decree of 6 July 2012 can be applied to the plants that entered into operation between May and June 2016 and that filed an incentive request within 30 days from the entrance into force of the D.M. 23 June 2016 and to plants that are on the auction's waiting lists. The incentives according to the tariff set out by the Ministerial Decree of 6 July 2012 have been applied, also following the entry into force of D.M. 23 June 2016, to plants that have direct access to the incentives mechanism and that have been implemented within one year of the entrance into force of the D.M. 23 June 2016.

The awarding procedures allow obtaining 20 years incentives consisting of (i) all-inclusive feed-in tariffs (save for limited exception concerning the duration in hydro, geothermal and solar thermodynamic installations), which is composed of the incentive and price for the electricity produced, if the facility has a capacity not higher than 500 kW or (ii) standard feed-in tariffs, for all other plants, calculated based on the following formula: Base Tariff + Premium (potential) – Hourly Zonal Price (of the place where energy produced is injected into the grid), in case of new plants.

The base tariff is set forth in the Decree for each energy source and kind of installation. For big plants, the base tariff is determined by the allowance offered at the auction.

The key points of the D.M. 23 June 2016 are:

(i) an incentives aggregate costs caps of € 5.8 billion per year, amount deemed appropriate by the Italian government to continue, on the one hand, supporting sector investments, and, on the other, in order not aggravate citizens costs burden. Upon reaching such threshold, no further new plants could be admitted to the incentive scheme, even in case of revamping; specifically, it could be possible for the Decree to cease being effective, notwithstanding whether or not the overall capacity equivalent to such threshold has been actually incentivized. As a matter of fact. before a new auction or the registers are opened (both scheduled on August 20, 2016) GSE must ascertain if such cap has been reached. Should it be so, (see further below), the auction or the register will not be opened and small plants could not access the incentive tariffs; and

(ii) evident favour for the technology considered as more "consolidated", i.e. the on-shore wind plants with capacity higher than 5 MW, which retains the majority of the overall quota capacity made available (800 MW out of 1000 MW).

Efficiency in the end use of energy - White Certificates - CAR incentives

The distribution companies of electricity and natural gas (the "**Obliged Entities**") are required by the Bersani Decree to undertake energy efficiency measures for the end user that are in line with pre-defined quantity targets fixed by ministerial decree. All companies, including the distribution companies, that realize specific energy efficiency measure pursuant to the applicable regulation, are entitled to receive from the GSE a certain quantity of the Energy Efficiency Certificates ("**TEE**"), also called "*White Certificates*", (*i.e.* an incentive mechanism to save energy, into force starting from 1 January 2005).

TEE are issued and acknowledged in proportion with the energy efficiency measures so realized (*i.e.* each TEE is issued for each "ton oil equivalent" of the energy efficiency measure implemented). The

TEE can be then sold by means of bilateral contracts, to (other) distribution companies who cannot meet their targets or, alternatively, on a specific market instituted and regulated by GSE in agreement with the ARERA.

The foregoing incentive mechanism was previously regulated by Decrees of 20 July 2004, subsequently amended and updated in 2007, which set national energy savings targets for the period 2005-2012 to be achieved by the Obliged Entities. The targets must be achieved each year by electricity and natural gas distribution companies.

In order to comply with their obligations to achieve such targets and avoid related penalties, distributors must deliver a number of certificates at least equal to a specified percentage of their requirement to the ARERA by May 31 of each year.

The whole mechanism is, in extreme essence, financed by the final customers (through the cashing in of a specific tariff component applied in each electric and natural gas bills paid by the end customers). Indeed, the Obliged Entities receive a tariff contribution from the ARERA and related competent authorities to compensate the energy efficiency measure implemented by same Obliged Entities.

Through its Ministerial Decree dated 28 December 2012 ("**DM 28 December 2012**"), the MED set new and rising energy savings targets for the 2013-2016 regulatory period.

According to Article 6 of the DM 28 December 2012, the GSE is competent to issue white TEE in favour of the operators offering energy efficiency solutions (*inter alia* the "*Energy Service Companies*"- or ESCO), that allow their customers to achieve energy savings. The GSE, with the collaboration of ENEA ("*Agenzia nazionale per le nuove tecnologie, l'energia e lo sviluppo economico sostenibile*") and RSE ("*Ricerca sul Sistema Energetico*"). In particular, the GSE evaluates the energy efficiency projects and approves the so-called "*proposta di progetto e programma di misura*", as well as the relevant requests of certification of the energy savings based on the approved project. Please also note that the rules of access to and of granting of White Certificates have been set out by the ARERA by means of Resolution No. 9/11 dated 27 October 2011 (also called "*white certificates guidelines*").

As said, White Certificates are tradable by bilateral transactions through a register, organized and managed by the GME (called "*Registro TEE*") or by assignment of the white certificates to an *ad hoc* virtual trading platform (called "*TEE Market*" or "*Mercato TEE*"), also in this case organized and managed by the GME.

Furthermore, (i) through Decree 28 December 2012 the MED introduced specific incentives to promote the production of thermoelectric energy production from renewable resources, as well as small scale energy efficiency initiatives, and (ii) through Legislative Decree No. 20/2007 the MED also introduced a new instrument for the granting of incentives to cogeneration power plants, *i.e.* to power plants producing electricity and heat, called "*High Efficiency Cogeneration Certification*" ("*Cogenerazione ad Alto Rendimento*" o "*CAR*" certification). The operative rules and the guidelines for the granting of the CAR certification have been described by the Ministerial Decrees dated 5 September 2011 and 4 August 2016. The advantages of the achievement of the CAR certification is, *inter alia,* the access to the white certificates incentives mechanism.

On 11 January 2017, the MED issued a new decree on TEE ("**Decree 11 January 2017**"), which came into force on 4 April 2017 and applies to all energy efficiency projects presented after that date, aiming to favor the energy efficiency sector which is considered fundamental to Italy's economy.

In particular Decree 11 January 2017:

- sets new rules and criteria to select the entities allowed and admitted to participate to the TEE mechanism;

- establishes the new guidelines for the preparation of energy efficiency projects and the definition of the criteria and procedures for the recognition of the White Certificates;
- identifies who is obliged to a primary energy saving obligation (i) which are electricity distributors who, as of December 31, two years prior to the reporting year, have more than 50,000 end users connected to their distribution network; (ii) natural gas distributors who, as of December 31, two years prior to the year in question, have more than 50,000 end users connected to their distribution network);
- provides a "standard contract" ("*contratto tipo*"), which has been approved by MED on 19 July 2017. This new standard contract regulates the relationship between the owner of the incentives (called "*Soggetto Titolare*" – the "**Owner Entity**") the entity that applies for them (called "*Soggetto Proponente*" – the "**Offering Entity**"), that must meet the necessary criteria set by the relevant legislation, and the GSE. As a principle, TEEs are granted to the Owner Entity and, pursuant to Article 1 of this new standard contract, can be granted to the Offering Entity only be means of a specific mandate given by the Owner Entity. The main goal of the provisions of the new "standard contract" is to decrease disputes and uncertainties in relation to the ownership of the TEEs.
- In addition to the above, Decree 11 January 2017 clarifies and simplifies certain aspects of the regulation governing TEEs such as the cumulative nature of the White Certificates and the duration and useful lifespan of the energy efficiency projects.

In light of the above, the energy efficiency projects eligible for access to the TEE mechanism must be, in particular:

- made by the owner of the project in one or more establishments, buildings or sites however named;
- realized with a starting date which follows the date of transmission to the GSE of the access to the mechanism;
- sources of additional energy savings, that is, the primary energy savings calculated as the difference between baseline consumption (the primary energy consumption of the technological system assumed as a benchmark for the calculation of additional energy savings) and energy consumption in the *post configuration operam*, with reference to the same service rendered and ensuring a normalization of conditions affecting energy consumption

Pursuant to Ministerial Decree 11 January 2017, the ARERA issued Resolution 435/2017/R/EFR, dated 15 June 2017, amending some aspects of the unit tariff contribution to be recognized in favour of the distributors fulfilling the energy efficiency labelling mechanism. In particular, with the said Resolution, the ARERA has:

- introduced the "*criterion of competence*" with regard to the definitive unitary tariff contribution to be paid for the year of obligation (*i.e.* the criterion pursuant to which the tariff contribution is defined and updated based on the yearly achievement by the Obliged Entities of the yearly target of efficiency), by reference to the quantity of TEE delivered by each obligated distributor, by defining a transitional period in which this criterion is combined with that of cash, (as defined in ARERA resolution 634/2017/R/efr);
- defined a maximum and minimum percentage parameter, identifying, for each market session, a price range of TEE outside of which the transaction prices found in the session are believed to be not fully indicative of the actual value or availability of the TEE value; and

- excluded, for the purpose of calculating the average price for each market session, transactions at prices outside the price range referred to in the preceding subparagraph which is applied to the weighted average of the volumes, exchange rates of TEE found in the previous session.

Following Operators' requests, in September 2017 ARERA issued Resolution 634/2017/R/Efr, amending Resolution 435/2017/R/efr by introducing progression in the introduction of the competence criterion with regard to the definitive unitary tariff contribution to be paid in favour of the Obliged Entities for each year of obligation.

On the 10 July 2018, a new Ministerial Decree has been published in Italian Official Journal (the "**Decree 10 May 2018**"), which has amended the Decree 11 January 2017. In particular, the Decree:

- establishes a maximum unit value for the tariff contribution, equal to €250.00 per white certificates, applicable starting from the sessions subsequent to 1 June 2018 and until the sessions valid for the fulfilment of the national quantitative targets established for 2020;
- establishes that the mechanism to determine the tariff contribution, determined by ARERA, shall take into account the prices of trades made on the organized GME market in the obligation year in reference as well as the prices of bilateral agreements, if less than € 250.00;
- authorizes the short-selling of white certificates by the 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, white certificates 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 white certificates in the obligation year in reference;
- 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;
- updates, in order to promote the offer of white certificates, the table annexed to Ministerial Decree of 11 January 2017 containing the types of projects eligible for white certificates, adding approximately 30 new types of interventions.

As a consequence of amendments introduced by Ministerial Decree of 10 May 2018 to Ministerial Decree of 11 January 2017, under 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.

In this picture, it is also essential to make reference to the provisions set out by Law No. 124 of 4 August 2017 (the so-called "**Competition Law**"). In particular, Article 1, paragraph 89, of the Competition Law states that, if the GSE, in the context of its verification activities, ascertains non-compliance of the proposed and approved project with the legislation in force at the date of presentation of the project and these discrepancies do not arise from discrepancies between what was transmitted by the operator and the actual situation of the project or by untruthful documents or false declarations made by the operator, the GSE may annul the granting of the White Certificates the annulment takes effect only from the adoption of the final deed of the inspection activity. Therefore, the RVCs (and the White Certificates related thereto) already approved for the projects remain valid. Consequently, the GSE cannot legitimately request the operator to return the White Certificates.

Environmental regulations applicable to renewable energy plants

Pursuant to Legislative Decree No. 152/2006 ("**Environmental Code**") renewable sourced plants, depending on the type and their nominal power, may be subject to different kinds of:

- a preliminary stage ("**Environmental Screening**") which is aimed to assess the impact the project may have on the environment. Should this impact be deemed significant, the project will need to pursue the second stage below[11];
- a stage ("**Environmental Impact Assessment - EIA**") which amounts to a full environmental assessment of the project, to be pursued in case the project is directly subject to the EIA proceeding according to applicable law or in case the Environmental Screening prescribed to carry it out[12].

It follows that the outcome of the first stage may be either the exclusion from the EIA of the project or the decision that the latter has to pursue the second stage above (i.e. EIA).

On September 10, 2010 the Minister for the Economic Development issued the decree which outlines the national guidelines for the authorization of power plants fuelled by renewable energy sources ("**National Guidelines**") aimed at providing the detailed standard discipline of the AU procedure at a national level. Moreover, the National Guidelines also empower the Regions to identify the areas wherein the installation of power projects is banned, based on certain landscape and zoning general criteria detailed thereon.

On March 3, 2011, the Italian Government issued the Renewable Decree on the implementation of Directive No. 2009/28/EC on the promotion of the use of energy from renewable sources.

The Renewable Decree implemented, *inter alia*, the provisions relating to the administrative procedures governing the construction and operation of installations producing energy from renewable sources. In particular, the Renewable Decree introduced a simplified authorization procedure (the so-called "*Procedura Abilitativa Semplificata*", hereinafter the "**PAS**") applicable to, inter alia (i) solar plants on ground with a capacity not exceeding 20 kW and (ii) wind farm with a capacity not exceeding 60 kW, granting the Regions to increase the thresholds in question up to 1 MW.

The Renewable Decree also implemented the new procedures for incentivizing the growth of energy produced by installations fuelled by renewable sources (*inter alia*, solar and wind), in respect to which see below.

CO_2 emissions

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the "**Emissions Trading Directive**") establishing a scheme for greenhouse gas emission allowance trading, implemented in Italy by Legislative Decree No. 216/2006 (now substituted by Legislative Decree No. 30/2013).

Pursuant to the aforementioned directive, the power generation sector in Europe is required to participate in the European Union Emissions Trading System, a market-based system for reducing greenhouse gas emissions.

In particular, the above-mentioned EU legislation establishes a cap-and-trade system for greenhouse

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[11] In this respect, the Environmental Code sets the threshold for the mandatory Environmental Screening proceeding of renewable sourced plants having a capacity higher than a specific threshold (and sometimes distinguishing among the renewable sources), save where the project is located within environmentally-restricted areas;

[12] Please note that the EIA is mandatory should the project fall within environmental restricted areas.

gas emission quotas. The latter are allocated to companies through specific allowances which are then traded in order to meet the demand of those companies that exceed the cap for their productive activities. Quotas may be exchanged directly between two parties (over the counter) or through stock exchanges all over Europe. An exchange platform was established in Italy in 2007 and is managed by GME.

Operators are expected to reduce their emissions by 20 per cent. by 2020. On 1 January 2013, the third phase of implementation of the aforementioned Directives, meant to take place between 2013 and 2020, began.

This phase envisages a series of major changes introduced by Directive 2009/29/EC, implemented in Italy by Legislative Decree No. 30/2013, which has been modified by means of Legislative Decree No. 111/2015.

The main change regards the method for allocating emissions allowances. Under Legislative Decree No. 30/2013, as from 2013, emission allowances, previously allocated for free, are to be auctioned. GSE is in charge of auctioning Italian emission allowances.

However, a certain portion of allowances are still to be assigned free of charge. In this respect, Member States' National Committees were required to submit to the EU Commission a list of the installations admitted to the free allowances assignment, on the basis of Directive 2003/87/EC, as modified. The Italian Committee, by means of resolution No. 29/2013, subsequently modified by resolutions Nos. 4/2014 and 5/2014, notified to the Commission the total amount of allowances assigned free of charge and a list of the installations to which such allowances have been assigned. An amendment proposal of the EU ETS was put forward in December 2013 by Commission Regulation No. 1031/2013 and Decision No. 1359/2013/EU of the European Parliament and Council) in order to tackle the existent surplus of circulating allowances which, according to the European Commission, amounted to about 2 billion allowances at the beginning of the third phase of the EU ETS. The proposal is intended to modify the timetable for CO_2 primary market auctions, in order to remove 900 million allowances from the market between 2014 and 2016 – when there is a surplus – and reintroduce them back into the market at a later stage (2019 and 2020), when a shortage of allowances is expected (so-called back-loading). Back-loading was implemented through an amendment to the EU ETS Auctioning Regulation, which entered into force on 27 February 2014.

In addition, a long-term reform of the EU ETS has been proposed which should introduce a so-called "market stability reserve". This reserve would (i) address the current surplus of allowances and (ii) improve the system's resilience to major shocks by adjusting the supply of allowances to be auctioned. The relevant reform proposal has been approved by the EU Parliament on 8 July 2015 and by the EU Council on 6 October 2015 by means of Decision No. 2015/1814 about the establishment and operation of the market stability reserve in the system for the exchange of emission quotas of gas greenhouse effect – ETS. With the introduction of the reserve, the EU aims to reduce the surplus of emission permits for the market in order to support their price.

Please note that a proposal for the period 2021-2030 has been presented by the European Commission. Such proposal is aimed at promoting innovation and use of low carbon emissions technologies and will be negotiated following the ordinary legislative procedure. Moreover, please also note that the Council of the EU for the Environment approved its position on the proposal on 28 February 2017.

Regulated wholesale markets

The Power Exchange is a marketplace for the spot trading of electricity between wholesalers under the management of the Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market (the "**IPEX**") at the system marginal price defined by hourly

auctions. Alternatively they may choose to enter into bilateral contracts and, in this case, agree the price with their counterparty.

The Single Buyer (a company the sole quota holder of which is the GSE) is the largest wholesaler in the market, purchasing approximately 30% of the total national demand. The Single Buyer purchases electricity on the IPEX through bilateral contracts (including contracts for differences) with producers, and imports electricity. Other participants in the IPEX are producers, integrated operators, wholesalers and some large electricity users. The Acquirente Unico purchases on the market the above amount of electricity in order to grant its supply to the end users subject to the so-called "*maggior tutela*" regime and have not switched to the free market.

The total amounts paid by the Single Buyer to producers, plus its own operating costs, must be equal to the total revenues it earns from electricity sales to retail companies operating within the regulated market under the regulated tariff structure. As a consequence, the ARERA adjusts the regulated tariffs from time to time to reflect the tariffs paid by the Single Buyer (as well as other factors).

The ARERA and AGCM constantly monitor the IPEX to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system. The IPEX is also a physical market, where the schedules of electricity injections into and withdrawal from the power grid are defined under the economic merit-order criterion. According to Ministerial Decree 24 December 2004, Terna, the ARERA and the GME take all the necessary actions for the participation of the demand – side to the IPEX.

Subsequently, Ministerial Decree dated 17 September 2008 (and published in the Official Gazette No. 243 dated 16 October 2008) introduced a new forward electricity market (the ("**FEM**" or "*mercato a termine*", "*MTE*"), in which forward electricity contracts with physical delivery are traded.

The electricity produced can therefore be sold wholesale on the IPEX managed by the Market Operator- GME, and through organised and over-the-counter platforms for trading forward contracts. The organised platforms include also the Electricity Derivatives Market ("**IDEX**"), managed by Borsa Italiana S.p.A., where special derivative instruments with electricity as the underlying asset are traded.

Producers may also sell electricity to companies engaged in energy trading, to wholesalers that buy electricity for resale at a retail level, and to the Single Buyer, whose duty is to ensure the supply of energy to enhanced protection service customers.

In addition, for the purpose of providing dispatching services, which is the efficient management of the flow of electricity on the grid to ensure that deliveries and withdrawals are balanced, electricity generated may be sold on a dedicated market, the Ancillary Services Market ("**ASM**"), where Terna procures the required resources from producers. The ARERA and the Ministry for Economic Development are responsible for regulating the electricity market. More specifically, with regard to dispatching services, the ARERA has adopted a number of measures regulating plants essential to the security of the electrical system.

In August 2011, the ARERA published a resolution that establishes the criteria for introducing a market mechanism for compensating generation capacity that replaces the current administered reimbursement. This mechanism involves holding auctions through which Terna will purchase from generators the capacity required to ensure that the electricity system is adequately supplied in the coming years. The initial auctions were held in 2013, with producers agreeing to make their capacity available starting from 2017.

In order to cope with emergencies in the gas system, such as the one that occurred between 6 February 2012 and 16 February 2012, Development Decree, required the identification, on an annual basis from the 2012-2013 gas year, of thermoelectric generation plants that can contribute to the

security of the system by using fuels other than gas. Such plants, which are different from those essential to the electricity system, are entitled to reimbursement of the costs incurred in ensuring availability in the period from January 1 to March 31 of each gas year on the basis of the procedures established by the ARERA.

Electricity distribution

Distribution service concerns the medium and low voltage networks, which provide electricity to end users. The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the Ministry of Industry (now the MED). The operators holding concessions have *de facto* authority to manage the service on a monopolistic basis in their area of competence. Pursuant to article 9 of the Bersani Decree, concessions granted within 31 March 2001 to distributors operating at the date of enactment of the same Bersani Decree shall be in force until 31 December 2030; from then on new concessions shall be granted through public tenders.

The distribution companies are required to connect to their networks all parties who request connection, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions. In this regard, the ARERA and Terna have published and approved a standard distribution code ("*Codice di Rete*") which shall be applied and used by local distribution companies and regulate their relationship with the users of the medium and low voltage networks. The main goals of the standard distribution code are: (i) to grant access to the distribution networks to all distribution companies, who request connection, on a non-discriminatory basis; and (ii) to define a clear and certain set of rules for the users regarding the contracts of transportation of electricity.

Moreover, the ARERA set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

New tariff structure for transmission, distribution and metering

The ARERA established a tariff regime that came into effect on 1 January 2000. This regime replaced the "cost-plus" system for tariffs with a new "price-cap" tariff methodology. The price-cap mechanism sets a limit on annual tariff increases corresponding to the difference between the target inflation rate and the increased productivity attainable by the service provider, along with any other factors allowed for in the tariff, such as quality improvements. Under the price-cap methodology, tariffs will be reduced by a fixed percentage each year encouraging regulated operators to improve efficiency and gradually passing savings onto end users.

By way of Resolution ARG/elt No. 199/11, the ARERA adopted the consolidated text of provisions to regulate the transmission and distribution of electricity ("**TIT**") and the consolidated text of provisions regulating the supply of the Electricity Metering Service ("**TIME**") for the fourth regulatory period (2012-2015). The second version of the TIT for the period (2016-2019) has been approved by the ARERA by means of Resolution No. 654/2015/R/EEL dated 23 December 2015.

In relation solely to the tariff adjustment for metering services, variations with respect to the previous regulatory period were included in the real return on invested capital (set at 5.6 per cent. per annum), in the value of the X - factor (the coefficient of recovery for efficiency imposed by the regulator) and also in revenue equalization for low voltage metering services.

With reference to the distribution service, many of the tariff regulation schemes already in force during the previous regulatory period were maintained, in particular:

- the adoption of tariff decoupling, which requires a mandatory tariff to be applied to end users and a reference tariff for the definition of revenue restrictions, specific by operator calculated on the basis of the number of users ("**PoD**");

- the application of the profit-sharing method for the definition of initial operating cost levels to be recognised in the tariff;
- the updating of the tariff quota covering operating costs through the price-cap method, setting the annual objective for increased productivity (X-factor) at 1.9 per cent. for distribution activities;
- the evaluation of invested capital using the re-valued historical cost method;
- the definition of the rate of return on invested capital through weighted average cost of capital ("**WACC**"); and
- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

The rules envisage incentives, using differentiated WACCs (+1.5/+2.0 per cent.) and for a minimum of eight years to a maximum of twelve, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, renewal and strengthening of the medium voltage networks in the historic centres, energy storage.

By means of Resolution 583/2015/R/com, ARERA has defined the criteria for determining and updating the rate of return on capital invested for infrastructure services of the electricity and gas sectors; furthermore, by means of Resolution 646/2015/R/eel the ARERA has also approved the integrated text of output-based regulation of distribution and electric power measure services, for the period 2016-2023.

Combined with the 654/2015/R/eel, these Resolutions on one hand confirm that tariffs aren't exposed to energy volumes on the other introduces longer regulatory periods as well as a new WACC methodology to stabilize fluctuations in interest rates and inflation. In particular the new regulatory framework sets four main changes for electricity distribution, :

- Longer regulatory periods – Tariff regulatory period: 8 years (2016-2023, with the start of TOTEX regulation in 2020); WACC regulatory period: 6 years (2016-2021).
- New WACC methodology – Real pre-tax WACC set at 5.6% vs. 6.4% for the period 2016-2018; for the future updates (2019-2021) the new methodology has already been defined for all main parameters.
- Regulatory lag reduction – The Remuneration on RAB is characterized by (i) year t-1 capex included in year t RAB and (ii) +1% WACC premium on 2012-14 capex replaced by a RAB uplift.
- Gradual approach to the extension of asset life – Life for MV and LV lines built after 2007 has been extended from 30 to 35 years and it's possible a further revision with the introduction of Totex mechanism in 2020.

The new framework for innovative investments for the future are: new regulatory mechanism "Output based" replacing extra WACC remuneration; new bonus mechanisms based on a benefit sharing between the distributor and the system; first two main innovative functionalities on MV grid renewable sources observability systems and advanced voltage regulation to increase renewable sources hosting capacity.

In addition to the above, regarding the quality of the transmission, distribution and metering services, by means of the Decision No. 646/2015/R/eel dated 22 December 2015, the ARERA has adopted the relevant text for the period 2016-2023 (called "*Testo integrato della regolazione output-based dei servizi di distribuzione e misura dell'energia elettrica per il periodo di regolazione 2016-2023*").

On the 7 September 2017, ARERA adopted Decision No. 612/2017/R/eel, which has implemented the text of output-based regulation of electricity distribution and metering services, providing the admission of territorial areas to the experimental mechanism encouraging the reduction in the duration of interruptions with notice.

Natural Gas

Italian regulations enacted in May 2000, by means of Legislative Decree No. 164/2000 (the "**Letta Decree**") - implementing EU directives on gas sector liberalisation (Directive 1998/30/EC) - introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, and sale of gas. The liberalisation process was successively strengthened by Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport, distribution and sale sectors and, on the other hand, incentives for new import infrastructure. The authorities responsible for turning this regulation into practice are the MED and the ARERA.

Sale

The Letta Decree distinguishes between wholesale activity and retail sale activity. Since 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, have been entitled to sell gas to retail customers.

Pursuant to article 17 of the Letta Decree companies that intend to sell gas to end users must obtain a licence from the MED. Such authorisation is issued on the basis of criteria set by the MED (after a consultation with the ARERA), provided that the company meets certain requirements (e.g. appropriate technical and financial capacity) and may only be refused on objective and non-discriminatory grounds. A list of all companies authorised to sell gas to end users is published by the MED on its website. Since 1 January 2003, retail customers have been able to choose between supplies of natural gas carried out on a free market basis or on a regulated basis. In the free market, the terms and conditions - including the price - of gas supply contracts are agreed between the supplier and the relevant end customer. Conversely, regulated tariffs ("*servizio di maggior tutela*") are set out under the "*Testo integrato delle attività di vendita al dettaglio di gas naturale e gas diversi dal gas naturale e distribuiti a mezzo di reti urbane*" (the "**TIVG**"), as amended by ARERA Resolution No. 672/2014/r/gas. Pursuant to the TIVG, regulated tariffs apply to retail customers who do not opt for free market tariffs as well as to households where gas consumption does not exceed 200,000 Smc/year. The regulated tariff is composed of different cost elements relating to the specific services provided (i.e. transport, distribution, metering, marketing activities). Invoices to end customers must show the breakdown of such costs. In addition to the TIVG, transactions involving retail customers are also subject to rules for the safeguard of consumer rights (i.e. Legislative Decree of 6 September 2005, No. 206). Moreover, companies which sell gas to retail customers must comply with the "Gas Distribution Network Code" (see "*Regulatory Framework – Distribution*" for further details).

Since 2002 operators have been able to freely sell and purchase on a wholesale basis any quantity of natural gas on the "**PSV**" (*punto di scambio virtuale*), which is an electronic platform operated by Snam Rete Gas S.p.A. Moreover, Law of 23 July 2009, No. 99 ("**Law 99/2009**") provided for the establishment of a market exchange platform for the supply and sale of natural gas. Under Law 99/2009, GME was designated as manager of the natural gas exchange market, in compliance with the principles of transparency, competition and non-discrimination. MED Decree of 18 March 2010 established a trading platform for the exchange of gas imports (P-Gas), managed by the Energy Market Operator. The gas exchange started in October 2010, with the Energy Market Operator acting as central counterparty ((A) the M-Gas platform, formed of: (i) day ahead market - MGP-Gas, and (ii) intraday market - MI-Gas, and (B) the forward gas market – MT Gas). The gas balancing market on the PB-Gas platform started in December 2011, which was managed by the Energy Market Operator,

with Snam Rete Gas S.p.A. acting as central counterparty. On the gas balancing market, an *ex-post* gas exchange session takes place which is aimed at balancing the whole gas system and shipper positions (the part of the supply chain in which gas is produced or imported or bought from domestic producers or other shippers) through the purchase and sale of stored gas. On the PB-Gas platform, which is accessible to all operators, operators may acquire, on the basis of economic merit, the necessary resources to balance their positions and ensure the constant balance of the network, for the purposes of ensuring system security.

Dispatching and transportation

Pursuant to Article 9 of the Letta Decree, natural gas transport and dispatching are considered activities of public interest and are regulated accordingly. By means of Ministerial Decree of 22 December 2000, the MED implemented Article 9 of the Letta Decree and identified the "national gas transmission network" (opposed to the local gas network" (*rete di distribuzione*) as set out under ARERA Resolution No. 120 dated 30 May 2001). This Ministerial Decree contains a detailed list of the pipelines, their length, characteristics and owner, which is updated on a yearly basis. Approximately 96% of such pipelines are owned and operated by Snam Rete Gas ("**Network Operator**" or "**Transmission Company**"). Snam Rete Gas is the entity spun off from Snam to comply with the vertical unbundling requirement set by the Directive 98/30/EC ("**Gas Directive**").

By means of ARERA resolution No. 75, dated 1 July 2003, as subsequently amended, ARERA issued the "SNAM Gas Grid Code" ("*Codice di rete SNAM*"), which provides for detailed rules and procedures concerning the dispatching and balancing services in order to ensure the efficiency of the gas transmission grid. Most important, the companies which provide transport and dispatching services may not refuse to connect to the gas distribution network users who are compliant with the ARERA rules. In particular, access may be refused for one of the three following reasons: (i) lack of capacity or interconnection, (ii) when granting access would prevent the undertaking from carrying out the public-service obligations assigned pursuant to the applicable law and regulations, and (iii) in case of serious economic and financial difficulties related to take-or-pay contracts entered into by the undertaking before the Letta Decree.

Storage

Storage activity has the purpose of compensating fluctuations in consumption demand within the national gas system, so as to guarantee a strategic reserve of natural gas for the safety of the entire systems (with specific but not sole reference to end users).

Storage activity is carried out by companies on the basis of concessions awarded through public tender procedures, as set out in Decree 9 May 2001. Similarly to the transportation companies, also the storage companies must publish the terms and conditions to access the storage services that are set forth in *codes* and must comply with the criteria set out by the ARERA with the purpose of ensuring that the access to the storage services is granted in a transparent and non-discriminatory way.

The Letta Decree provides that storage companies must grant access to requesting users if these meet the technical requirements and other conditions detailed in the "Storage Code", which has been issued by ARERA Resolution No. 119 dated 21 June 2005.

Distribution

Pursuant to the Letta Decree, distribution activity is considered as a public service and may be carried out only by companies which do not already provide other market services in the gas sector, as sale, dispatching or storage activities.

The ARERA approved and published under Resolution of 6 June 2006 No. 108, in accordance with

the rules set out by the Resolution No. 138 dated 29 July 2004, the standard "Gas Distribution Network Code" to be adopted by all natural gas distribution companies. The Gas Distribution Network Code regulates the relationship between distribution companies, on one side, and gas sellers and retail customers, on the other side. The Gas Distribution Network Code sets out the various distribution services and the required levels of performance. Among these: acceptance of the gas delivered by the seller entitled to introduce gas into the distribution facility, transportation of the accepted gas to the delivery points, measurement of the accepted and transported gas, connection of the end customer to the gas network and maintenance of the network. Distribution companies must grant access to the distribution network to any requesting seller who fulfils the technical requirements detailed under the Gas Distribution Network Code and under the relevant ARERA Resolutions.

By means of resolution 465/2017/R/gas dated 22 June 2017, ARERA has decided to initiate a procedure for reviewing the regulation regarding the conditions for access and delivery of the gas distribution service.

Such distribution service has been opened to competition, though through gradual steps. In particular, starting from 1 January 2003, local public authorities (mainly municipalities) were obliged to convert into private companies the local public entities which were at the time the only concessionaires of the distribution service. However, for the first two years after the transformation the local public government could still be the only shareholder of these new companies, therefore maintaining direct public control on the distribution activity. The Letta Decree provides that concessions concerning the distribution service must be awarded by local authorities on the basis of public tenders for a maximum period of 12 years. Ministerial Decree dated 19 January 2011 sets out the minimum independent geographic areas (known as "*Ambiti Territoriali Minimi*" – "**ATEM**"). The Italian territory has been divided into 177 ATEM, with the aim of increasing competition, efficiency and independence of concession holders from local authorities.

Tenders are awarded to the company which submits the most attractive economic offer with regard to the following criteria: (i) economic conditions, (ii) conditions for the provision of the service, (iii) quality of service and safety, (iv)investment plan for the development and maintenance of the distribution system and (v) technological improvements and innovation of the assets. The tender process became mandatory from 1 January 2006 for concessions held by local public entities and awarded without a tender process before the Letta Decree came into force: such concessions terminated on 1 January 2006 notwithstanding their original duration and a tender process was subsequently required in order to award such concessions. For concessions awarded through a tender process before the Letta Decree came into force, the maximum 12 year period applied. In the event that, on expiry of a concession, the outgoing operator is entitled to compensation for transferring the legal title to the distribution facilities to the incoming operator.

In particular, *Destinazione Italia* Decree introduced a dual methodology enhancement of networks (i) RAB value that is recognized by ARERA for the calculation of capital costs in the rates (ii) Industrial Residual Value (VIR) to be calculated by the method of enhancement of the forward net of the physical-technical degradation of the reconstruction cost of the facilities, net of government grants. The amount of the VIR must be inserted in the call for tenders as defined by the municipalities grantors. If the VIR value is 10% higher than the RAB, the local authority must provide detailed feedback to ARERA before publication of the notice. Under Law No. 21/2016 a further extension of the period for publication of the contract notice has been decided. Currently several ATEMs are publishing their tender notices. This reform provides for the publication of 74 invitations to tender in 2016, 98 in 2017 and five in 2018 and 2019.

From the tariff point of view, the Resolution No. 367/2014/R/gas defined the applicable tariffs for distribution and metering for the regulatory period 2014-2019. The ARERA each year sets the

relevant tariffs for the distribution service, which must be applied by the distribution companies to the clients. ARERA Resolutions No 173/2016 determines the provisional reference rates for distribution services and gas metering for the year 2016, on the basis of the pre-final financial figures for the year 2015.

ARERA has published the consultation document No. 456/2016 relevant to the criteria for the recognition of costs related to investments in the natural gas distribution networks, starting from 2018 through the standard cost mechanism.

Then, with Resolution No. 704/2016/R/gas, dated 1 December 2016 a technical working group has been set up between distribution companies, including through trade associations, and ARERA aimed at establishing a shared price for the recognition of investment costs in grid distribution starting from the investments of 2019.

Natural gas distribution companies (together with electricity distribution companies) are required under the Bersani Decree to implement energy efficiency measures for end users and deliver to the ARERA by May 31 of each year a certain number of TEE ("*White Certificates*"). Distribution companies may also buy TEEs from third parties.

On 4 August 2017, the Competition Law was published on the Italian Official Journal. 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. In particular:

- 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 though 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, which shall be applicable whenever a single call for tender is consistent with the standard call for tenders, 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 of 28 December 2017, the ARERA has implemented the provisions of the Competition Law, 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;
- 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.

Annex A to Resolution 905/2017/R/gas 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, the greater of the two values is assumed.

With reference to the evaluation of calls for tenders, Annex B to Resolution 905/2017/R/gas states that the evaluation is carried out by the ARERA by applying two different methods which are detailed in such annex: 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.

LNG

The first Italian rules on Liquefied Natural Gas ("**LNG**") have been introduced in the Italian legislation through the European Directive No. 1998/30/CE and the Letta Decree, which implemented that Directive in the Italian legal framework. The Letta Decree introduced competition and liberalizations in the Italian LNG market, guaranteeing equal condition and non-discriminatory treatment to all market operators, likewise competition has been introduced in the gas Italian market in general.

The liberalization process was successfully strengthened by the European Directives 200/55/CE and 2009/73/EC, and by the Italian Legislative Decree 93/2011, that enacted the European directives above mentioned. Legislative Decree 93/2011, more specifically, identified the definition of LNG plant and the rules regarding the importation LNG market and introduced the obligation for the owner of LNG terminal to draft an "access code" (or "regasification code"), according to pre-approved standard terms and conditions issued by the ARERA. Similarly to the gas transportation companies and the gas storage companies, LNG companies must publish the terms and conditions to access to the regasification service, that are set forth in the access code and must comply with the criteria set out by the ARERA with the purpose of ensuring that the access to regasification services is granted in a transparent and non-discriminatory manner (in line with TPA principles). More specifically, pursuant to Section 24 of the Gas Decree, ARERA Resolution No. 167 dated 1 August 2005 (as subsequently amended and integrated by Resolutions No. 55/09 and 54/10) and the relevant Regasification Codes provide a set of rules in order to ensure equal conditions to access to LNG facilities. In this respect, operators should access to the regasification facilities by (i) a continuous regasification service; or (ii) a spot regasification service.

Operators that apply for the regasification service have to transmit to the ARERA copy of each relevant import contract with the faculty to omit the reference to the economic values.

The latest version of the access code of the company "OLT Offshore LNG Toscana S.p.A." has been published in November 2014 by the company and approved by the ARERA.

In addition to the above, the ARERA sets the criteria for tariff regulation of the LNG regasification service by means of a resolution every 4 years. Resolution No. 438 dated 8 October 2013 set determined the criteria for tariff regulation of the LNG regasification service for the period 2014-2017 with the aim of ensuring efficiency, together with reasonable and adequate remuneration on investment capital. Resolution No. 653/2017/R/GAS set forth the criteria of regulation of the tariffs of the service regasification of LNG for the fifth period of regulation and for the transitional period 2018 and 2019, and Resolution No. 695/2018/R/GAS approved the tariffs for the service of LNG regasification for the year 2019.

Within the scope of Resolution No. 438/2013, ARERA approved yearly by means of Resolutions No. 604/2013/R/gas, No. 335/2014/R/gas, 652/2014//R/gas and No. 625/2015/R/gas, the tariffs for the LNG regasification service. With reference to year 2017, ARERA approved such tariff by mean of the Resolution No. **392/2016/R/GAS**, dated 14 July 2016.

In addition to the above, pursuant to the MED Decree dated 7 December 2016, ARERA adopted Resolution No. 6/2017/R/gas in order to regulate the auction procedures for the allocation of the LNG regasification and storage service for the thermic year 2017/2018 and the criteria for the definition of reserve prices ("*prezzo di riserva*"). The Regulation above mentioned has been subsequently amended by Resolution No. 64/2017/R/gas 311/2017/R/gas and 414/2017/R/gas.

The decree issued by the Italian MED on 3 September 2014 (the "MED Decree")

The MED Decree follows the request by OLT Offshore LNG Toscana S.p.A. ("**OLT**") to waive its exemption to the TPA regime, which was previously granted pursuant to Italian and European regulations.

Through the MED Decree, the LNG terminal operated by OLT:

- has been expressly qualified with retroactive effect (*i. e.* starting from 20 December 2013) as an "*essential and necessary facility*" within the Italian natural gas market; and
- following relinquishment/forfeiture of the exemption from TPA, OLT has entered into a regulated price regime with respect to the regasification services it provides on the market.

In particular, the qualification under (i) above entails that the OLT terminal will be entitled to a specific tariff component – called "*fattore di garanzia*" or "**FG**" – which, acting as a guarantee factor, remunerates in any case a certain portion of the expected revenues related to OLT's regasification nominal capacity even in the lack of its utilization, in full or in part, by the market users. FG will apply for a period of 20 years, which means pursuant to ARERA Resolution 458/2014/R/Com ("**Resolution 458/2014**") issued by the AEEEGSI 45 M € for thermic year 2013-2014 and then approx. (taking into consideration capex amortization) 600 to 700 M € over 20 years.

In 2015, OLT proposed judicial proceedings to the administrative court for the recognition of certain operating costs and additional capital remuneration for plants operating under exemption. The TAR and the State Council subsequently confirmed OLT's position.

By resolution No. 548/2017 (28 July 2017), ARERA closed the proceeding investigation started by it under resolution No. 607/2016. This confirms the right to the revenue and remuneration factor additional on capital invested. In particular, from January 2018 this additional remuneration is set at 2% (floor) with additional recognition of 1% depending on terminal use. The costs for maritime services and costs for the self-production of electricity are recognized. By resolution No. 398/2018/R/gas of 26 July 2018, ARERA closed the investigation started by it under resolution No. 548/2017/R/gas for the detection of costs occurred for supplying LNG. This resolution establishes the approval of the amount required for self-handling of electricity energy related to operations on the terminal.

District heating and services

Until year 2014 district heating activities were not subject to specific regulation in Italy. District heating supply agreements were only subject to the general provisions of the Italian Civil Code.

Through the European Directive 2012/27/EU dated 25 October 2012 (hereinafter the "**Directive 2012/27/EU**"), the European Commission has introduced new provisions in order to contain and make more efficient the consumptions for heating, air conditioning and for the supply of hot domestic water ("**HDW**") in civil buildings. In Italy the Directive 2012/27/UE has been implemented by Legislative Decree No. 102, dated 4 July 2014 (hereinafter the "**Legislative Decree No. 102/2014**"), that entrusted the ARERA to implement the provisions of the Directive 2012/27/UE.

Articles 10, paragraphs 17 and 18 and various paragraphs of Article 9 of Legislative Decree No. 102/2014 gave to the ARERA specific functions in the matter of district heating and district air conditioning. The regulation powers of the ARERA are, *inter alia*, on the following topics:

- the counting, the quality and the safety of the district heating service of the energy metering systems; the price criteria (only for networks with obligation to connect);
- the modalities of the disconnection from the network;
- the modalities by which the energy distribution companies make available to the public the price for the energy supply and for the connection and disconnection to and from the district heating network;
- the conditions for the connection to the district heating network;
- the criteria and the modalities of the supply of the meters to the end users as well the modalities by which the end user can assign the supply of the service to another company; and
- the invoicing procedure and the right of the end users to access their relevant consumption information and data.

Moreover, pursuant to Law 481 dated 14 November 1995, ARERA is also entitled with inspection, sanction and control functions and, according to article 16 of Legislative Decree No. 102/2014, the ARERA is also entitled with other sanctioning functions.

The principles and the goal of the regulatory activity of the ARERA in the years 2015-2018 have been listed in a document, called "strategic framework ("*quadro strategico per il quadriennio 2015-2018*"), approved after the consultation of the relevant stakeholders by the ARERA with the Decision 3/2015/A dated 15 January 2015. The goal of the ARERA was to show that the relevant principles in the district heating sector are common with the principles of the other regulated energetic sectors.

The consultation had the goal of identifying the case law and legislative framework and the issues in relation to the regulatory functions attributed to the ARERA. The results of that consultation allow the ARERA to identify the priority action lines in the regulatory process of the ARERA.

REMIT Regulation – Electricity and Gas

On 25 October 2011, the EU Parliament and the EU Council adopted Regulation No. 1227/2011, which introduced specific rules on wholesale energy trading aimed at preventing use of insider information and other forms of market abuse which may distort wholesale energy prices (so called, "**REMIT Regulation**"). As a general rule, the REMIT Regulation applies to all wholesale electricity and gas trades in the EU, including contracts for the transportation to customers, providing for a system of detection of market abuses and related penalties. In particular, the REMIT Regulation: (i) prohibits use of "inside information" when selling or buying at wholesale energy markets. Exclusive and price-sensitive information shall be disclosed before trades can take place; (ii) outlaws "manipulative

transactions" or the spreading of incorrect information that give false or misleading signals about the supply, demand or prices; (iii) obliges energy traders to report their transactions to the ACER (these data include the price, volumes, date and time of the transaction, the name of the seller and the buyer and the beneficiary); (iv) makes ACER responsible for independent monitoring of all the trades and checking whether rules are followed. In particular, pursuant to EU Regulation 1348/2014, save for certain exceptions, operators shall mandatorily report to the ACER transactions concerning wholesale energy products in relation to the supply of electricity or natural gas with delivery in the EU or concerning wholesale energy products in relation to the transportation of electricity or natural gas in the EU. Pursuant to article 9 of REMIT Regulation, market participants entering into transactions which are required to be reported to the ACER shall register with the national regulatory authority in the Member State in which they are established or resident or, if they are not established or resident in the European Union, in a Member State in which they are active. The ARERA, by means of ARERA Resolution 86/2015/E/com, established the relevant national register where market participants shall enrol before starting operating and approved the Operation and Use Manual ("*Manuale di funzionamento e uso del Registro Remit*").

Water, Waste and Public Lighting Services

The integrated water service, the integrated waste management service and the public lighting service are economic local public services ("*servizi pubblici di rilevanza economica*"). Legislation regulating economic local public services was affected by the outcome of a referendum held on 12 and 13 June 2011, which repealed Article 23-bis of Decree No. 112/2008.

Following the referendum results, a new regulation on the matter was adopted (Article 4 of Law Decree No. 138 of 13 August 2011, converted into Law No. 148 of 14 September 2011, as subsequently amended) which was, however declared unconstitutional by the Constitutional Court, with judgment No. 199 of 17-20 July 2012.

Law Decree No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to (i) gas; (ii) electricity and (iii) municipal pharmacies. Article 34 of this decree, as modified by Laws Nos. 15/2014 and 111/2015 and by Legislative Decree No. 50/2016, with regard to local public services, provides that:

- public entities, before granting the concessions, shall publish on their websites a report clarifying the type of the award of the concession they have chosen (i.e. public bidding procedure for selecting a private company, public bidding procedure for selecting the private partner of a public-private company, direct award to wholly-owned public companies), its compliance with European Law on concessions' awarding procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC)[13], and the relevant reasons underlying the choice;

- with reference to the concessions existing as of the date of entering into force of the decree (i.e. 20 October 2012) which do not comply with the requirements set forth by the European legislation, these concessions must be adjusted to such requirements by 31 December 2013 and the aforementioned report has to be published by 31 December 2013; should the awarding authority fail in complying with this obligation, the relevant concessions shall cease at 31 December 2013. In this regard, Law No. 15/2014 provided an exception aimed at ensuring the service's continuity. If the public entity has already started the concession awarding procedure, the subject entrusted with the public service can continue to operate until its replacement with

[13] On 15 January 2014 the European Parliament approved the text of a new Directive regulating procedures for awarding concessions. The Directive comes into force 20 days after publication in the Official Journal of the European Union and must be implemented by Member States within 24 months.

the new concessionaire and, however, before 31 December 2014;

- with reference to those concessions which do not provide for an expiry date, the competent awarding authority shall integrate the concession agreement with an expiry date; should the awarding authority fail in providing an expiry date, the relevant concession shall cease at 31 December 2013; and
- concessions granted to companies whose shares were listed on a stock exchange prior to 31 December 2004 (and to their subsidiaries) will terminate according to the terms originally indicated in the concession agreement or in the other relevant acts; if no specific expiry date is provided, the concession shall expire not later than 31 December 2020, and no formal resolution from the awarding authority will be required in this respect.

As to the procedures for the assignment of local public services, Decree No. 179/2012 does not contain any specific provisions, except for the general principle according to which the local public service must be assigned on a homogeneous territorial basis (*ambiti territoriali ottimali e omogenei*). Therefore, considering that:

(i) Article 23-*bis* of Law Decree No. 112 of 25 June 2008, (converted with amendments into Law No. 133 of 6 August 2008) has been repealed by the above-mentioned referendum; and

(ii) Article 113 of Decree 267/2000, for the part abrogated by Article 23-*bis*, cannot be revived, according to Constitutional Court decision No. 24/2011,

for the time being, public entities shall apply the principles and regulations provided for by the EU Treaty on the Functioning of the European Union and, in general terms, by EU Law and relevant case law. In this respect, the relevant authority shall alternatively award the new concession:

(1) to private companies, selected by means of a public bidding procedure;

(2) directly to public-private companies. In this case, the private partner must be selected through a public bidding procedure having as its object (i) the award of the position as shareholder of the public-private company and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of the service. The abovementioned Article 23-*bis* forbade the participation of the public-private companies already awarded with the local public service to different procurement procedures for the awarding of such services from other authorities. Due to the abrogation of this provision, this prohibition has lost efficacy; and

(3) directly to companies wholly-owned by public entities (so called "*in-house*" providing). In case 107/98, the European Court of Justice held that a public body could bypass the EU procurement rules and directly enter into a contract with a service provider so long as (i) the public body controls the service provider in question as if it was that public body's own department (known as the "similar control" test); and (ii) the service provider in question carries out the essential part of its activities with the contracting authority which controls that entity.

On 29 December 2014, Law No. 190/2014 was published in the Italian Official Journal. Article 1, para. 609 of this Law establishes that the local governments (*enti locali*) are required to participate to governing structures of territorial areas (*ambiti territoriali*) or territorial basins (*bacini territoriali*). In case of non-compliance, the president of the region shall exercise substitutive powers.

With reference to the role of local governments, Law No. 56 of 7 April 2014 (the "**Delrio Law"**) establishes that Metropolitan Areas (*Città Metropolitane*) have the task of organising local public services of economic relevance. Furthermore, article 1, paragraph 90 of the Delrio Law provides that the State and the Regions are required to suppress the public entities which manage the local public services of economic relevance in provincial and sub-provincial areas.

Water Business

The national and regional framework applicable to the IWS

The IWS is the comprehensive public services that relate to water collection, uptake and distribution of water for civil uses as well as the disposal and treatment of sewage water. The IWS is a public service, which is to be managed in accordance with the general principles of efficiency and cost-effectiveness as well as in compliance with national and European legislation.

The first comprehensive set of legal provisions enacted to regulate the water sector was contained in Law No. 36 of 5 January 1994 (the "**Galli Law**") which has then been reinstated by the Environmental Code (as defined below) under Part III, Section III, Title II, art. 147 and following. The main objectives of national and regional laws include: (i) the appointment of a single operator for the management of the IWS within each ATO (as defined below); (ii) the identification of a tariff that allows the operator of the IWS to cover both the costs for the provision of the service and the cost to carry out the investments necessary to ensure an adequate level of service; and (iii) the separation of the competence for planning and control of the service from the management of the IWS.

Pursuant to Law Decree No. 201 of 6 December 2011 (converted into Law by Law No. 214 of 22 December 2011) the ARERA is the regulator in charge, *inter alia,* of the regulation and surveillance of the IWS and the approval of the tariffs.

The Environmental Code

Legislative Decree No. 152 of 3 April 2006 (the "**Environmental Code**") contains integrated provisions for all environmental businesses. In particular, the sector of water services is based on the following principles:

- establishing a sole integrated system for the management of the entire cycle of the water resources (integrated water service or "*servizio idrico integrato*"), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;
- identification, by the Italian Regions and within each of them, of "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "**ATOs**"), within which the integrated water services are to be managed. The boundaries of ATOs are defined on the basis of: (i) consistency with hydrological conditions and logistical considerations; (ii) the goal of achieving industry consolidation; and (iii) the potential for economics of scale and operational efficiencies;
- institution, by means of Regional Law, of a ”Governing Body” for each ATO ("***Ente di governo***") participated by the local authorities of the area included in the relevant ATO. These Governing Bodies are responsible for: (i) organising integrated water services, by means of an integrated water district plan which, inter alia, sets out an investments policy and management plan relating to the relevant district (*Piano d'Ambito*); (ii) identifying and overseeing an operator of integrated water services; (iii) determining the tariffs applicable to users; (iv) monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

The organisation of the integrated water services relies on a clear distinction in the division of tasks among the various authorities involved. The State and regional authorities carry out general planning activities. The ATOs’ Governing Bodies supervise, organise and control the integrated water services but these activities are managed and operated on a day-to-day basis by (public or private) service operators.

Pursuant to Article 149 bis of the Environmental Code, as recently modified by Law No. 164/2014, the integrated water system has to be awarded by the Governing Body, for each ATO, by means of one of the procedures allowed under EU law (i.e. public bidding procedure, direct procurement to public-private companies and in-house providing). In this regard, please refer to the procedures described in the previous paragraph with reference to the economic local public services ("*servizi pubblici di rilevanza economica*") in general.

The Group provides water integrated services based on agreements concluded with the local district authorities. The table below indicates the main information regarding the agreements in existence in the territory in which the Group operates (mainly Emilia Romagna and Liguria).

ATO	Regime	Agreement date	Expiry date
Genova area	ATO/Operator Agreement	16 April 2004 / 5 October 2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011(*)
Parma	ATO/Operator Agreement	27 December 2004	30 June 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011(*)
La Spezia	ATO/Operator Agreement	20 October 2006	31 December 2033
Vercelli	ATO/Operator Agreement	13 March 2006	31 December 2023

(*) Service extended until new agreements are defined. These concessions are currently operating until a new operator is identified

In addition the Group manages the integrated water service in several other municipalities, and mainly in the Province of Savona, Imperia, Mantova, Cuneo and Asti. With reference to the regulation of integrated water service or "*servizio idrico integrato*", a proposal for a legislative decree is currently under examination by the Italian Parliament.

Water tariff mechanism

Law Decree No. 201 of 6 December 2011 (converted into Law No. 214 of 22 December 211) granted to the ARERA the regulatory functions concerning the integrated water service. In particular, the ARERA sets forth the cost components to be used by ATOs' Governing Body to determine the tariffs for the integrated water service (in compliance with the criteria and goals defined by the Environmental Ministry and the principles outlined in Article 154 of the Environmental Code). Subsequently, ARERA approves the tariffs of the integrated water service within 90 days from the proposal.

Tariff method for the period 2016 – 2019

On 28 December 2015, the new tariff method was issued by means of resolution No. 664/2015/R/idr.

In particular, Article 2 of such resolution defined the service costs as components to determine the new tariff. In particular, it referred to:

- investments costs, including borrowings, taxes and depreciation charges;
- operative costs, including costs related to the electricity, wholesale supplies, costs related to insolvency and other various components;
- any additional advance payment for new investments;
- environmental costs.

The regulatory schemes as to 2016-2019 tariff period are annexed to the Resolution.

The so-called "MTI2" tariff method states that:

- the corporate income tax (Ires) is 5.3%;
- the maximum level of tariff increase depends on the level of necessary investments and the ratio between operating costs and number of population served in each ATO.
- incentives to enhance contractual and technical quality shall be introduced.

With Resolution 656/2015/R/idr of 23 December 2015, ARERA adopted the so called C*onvenzione tipo* for the relationship between the contracting authority and the operator of the water service. According to this resolution, the conventions in force at 23 December 2015 shall be adjusted. This resolution also sets forth, among other things, the procedure and criteria for defining the surrender value (*Valore di riscatto*) due to the current operator by the new one.

Waste Business

European Union directives

The EU legislation on waste and landfills is set forth under Directive 2008/98/EC, as subsequently amended (the ''**Waste Framework Directive**'') and Directive 1999/31/EC, as subsequently amended (the ''**Landfills Directive**'') respectively.

Waste Directive

The Waste Framework Directive

The Waste Framework Directive abrogates the preceding Directive 2006/12/EC on waste and Directives 75/439/EEC and 91/689/EEC regarding waste oils and hazardous waste, respectively. The revised Waste Framework Directive, in force as of December 12, 2010, introduces new provisions in order to boost waste prevention and recycling and clarifies key concepts, namely the definitions of waste, recovery and disposal and sets forth the appropriate procedures applicable to by-products and waste.

In general, the Waste Framework Directive sets objectives with deadlines regarding the minimum proportion of waste to be prepared for re-use and recycling. These guidelines for waste management are meant to prevent waste generation, to encourage re-use and to ensure safe disposal by establishing a new "waste hierarchy" for the treatment of waste. In addition, the authorization process for landfill site management purposes stringent technical requirements for waste disposed in landfills, aimed to reduce waste amounts disposed of in landfills.

In addition, it is important to highlight that a new package of Directives (No. 2018/849, 2018/850, 2018/851 and 2018/852) regarding the waste management and disposal came into force on 4 July 2018. Italy, in common with all EU Member States, must implement them by 5 July 2020.

EU approach to waste

The Waste Framework Directive provides the following waste treatment hierarchy, which applies as a priority order in waste management and legislation:

- prevention;
- preparing for reuse;
- recycling;
- other recovery (such as, e.g. energy recovery); and
- disposal.

Member States are required to implement legislative measures in order to reinforce the above, described waste treatment hierarchy, based on the following principles:

- waste management responsibility: Member States are required to take necessary measures to ensure that (i) any original waste producer or other holder carries out the treatment of waste itself or has the treatment handled by a dealer or an establishment or undertaking that carries out waste treatment operations under a permit issued by the competent authority and (ii) establishments or undertakings which collect or transport waste on a professional basis deliver the collected waste to appropriate treatment installations.
- extended producer's responsibility: Member States may take legislative or non-legislative measures to ensure that any person who professionally develops, manufactures, processes, treats, sells or imports products has extended producer responsibility, such as an acceptance of returned products.
- self-sufficiency: Member States are required to take appropriate measures, in cooperation with other Member States where this is necessary or advisable, to establish an integrated and adequate network of waste disposal installations and of installations for the recovery of mixed urban waste collected from private households.
- proximity: the above network shall enable waste to be disposed of or recovered in one of the nearest appropriate installations, by means of the most appropriate methods and technologies, in order to ensure a high level of protection for the environment and public health.
- "polluter pays'': the costs of disposing of waste must be borne by the holder of waste, by previous holders or by the producers of the product from which the waste came.

Definition and types of waste

According to the Waste Framework Directive, waste is defined as ''any substance or object, which the holder discards, or intends or is required to discard.'' Waste not covered by the Waste Directive includes, pursuant to Article 2 of the directive, among other things, gaseous effluents dispersed into the atmosphere, radioactive waste, decommissioned explosive and other substances or objects, such as wastewater, animal by-products and waste resulting from prospecting, extraction, treatment and storage of mineral resources and the working of quarries, to the extent they are covered by other EU legislation.

Waste classification is based on the European List of Waste (Commission Decision 2000/532/EC) and Annex III to the Waste Directive, and relies on the distinctions between municipal and special waste, and hazardous and non-hazardous waste.

Waste management

Even if different rules apply depending on the type of waste, in general, any producer or holder of waste must carry out the treatment themselves or have treatment carried out by a duly authorized broker, establishment or undertaking. Hazardous waste must be stored and treated in conditions that ensure the protection of health and the environment and must not be mixed with other dangerous waste and must be packaged or labelled in line with international or EU regulations.

Permits

The Waste Framework Directive requires that any establishment or undertaking intending to carry out waste treatment obtains a permit from the competent authority, which may be granted for a limited period and may be renewable.

The permits specify:

- the types and quantities of waste that may be treated;
- for each type of operation permitted, the technical and any other requirements relevant to the site concerned;
- the safety and precautionary measures to be taken;
- the method to be used for each type of operation;
- such monitoring and control operations as may be necessary; and
- such closure and after-care provisions as may be necessary.

The Waste Framework Directive was implemented in Italy by Legislative Decree No. 205 on December 3, 2010.

Landfills Directive

The Landfills Directive aims to prevent and reduce the negative effects on the environment caused by landfills and, in particular, on surface water, phreatic water, ground soil, the atmosphere, global environment and human health.

The Landfills Directive applies to all landfills, defined as ''a waste disposal site for the deposit of the waste onto or into land (i.e. underground)''. Under the Landfills Directive, landfills are divided into three different types (hazardous waste landfills, non-hazardous waste landfill and landfills for inert materials) and a uniform procedure for the deposit of waste is provided for. Implementing the Landfills Directive, the Italian regulatory framework classifies landfills into the following three categories:

- landfills for hazardous waste, i.e. products which pose substantial or potential threats to public human health or to environment;
- landfills for non-hazardous waste with their sub-categories:

  (i) inorganic waste with low organic content or biodegradability (e.g. plastic products),

  (ii) organic waste with high organic content or biodegradability (e.g. food and garden waste),

  (iii) mixed non-hazardous waste containing of both organic and inorganic components;

  and
- landfills for inert waste for the treatment of products which are neither chemically nor biologically reactive and will not decompose.

The Landfills Directive also sets forth a procedure for the issuance of authorization for the management of landfills and requires Member States to verify that the managers of landfills and their personnel have received appropriate professional training. Member States are required to adopt measures to ensure that all landfill management costs are covered by the fees applied by the landfill operator for the disposal of waste. The Landfills Directive has been implemented in Italy by Legislative Decree No. 36 of January 13, 2003 (''**Decree No. 36**'').

The new European approach to waste

The overall goal of the new package of EU Directives (No. 2018/849, 2018/850, 2018/851 and 2018/852, the "**Circular Economy Package**") is to improve EU waste management. This will contribute to the protection, preservation, and improvement of the quality of the environment as well as encourage the prudent and rational use of natural resources. More specifically, the Circular Economy Package aims to implement the concept of "waste hierarchy", which has been defined in

Article 4 of the Waste Framework Directive. The waste hierarchy sets a priority order for all waste prevention and management legislation and policy as follows, making any disposal of waste a solution of last resort:

1. prevention;
2. preparing for re-use;
3. recycling;
4. other recovery (e.g. energy recovery);
5. disposal.

The waste hierarchy promotes a shift to a more sustainable "circular economy". The Circular Economy Package relies on more rigorous Member States' monitoring and reporting obligations, as well as implementing and review powers conferred to the European Commission.

Amendments to the Landfilling Directive

Directive (EU) 2018/850 requires Member States to significantly reduce waste disposal by landfilling. This will prevent detrimental consequences for human health, the environment, and ensure that economically valuable waste materials are recovered through proper waste management in line with the waste hierarchy. Member States will be required to ensure that, as of 2030, waste suitable for recycling or other recovery, in particular contained in municipal waste, will not be permitted to be disposed through landfills. Use of landfills should remain exceptional rather than the norm. Furthermore, the Member States will take the necessary measures to ensure that by 2035, the amount of municipal waste disposed of in landfills is reduced to 10% or less of the total amount of municipal waste generated. Acknowledging that such reductions will require major changes in waste management in many Member States, these measures will likely facilitate further progress and investments in the collection, sorting, and recycling of waste. Member States that used landfills to dispose of more than 60% of their municipal waste in 2013 will be allowed to postpone the respective deadlines by five years.

Amendments to the Waste Framework Directive

Directive (EU) 2018/851 requires Member States to improve their waste management systems into the management of sustainable material, to improve the efficiency of resource use, and to ensure that waste is valued as a resource. Among other areas of focus, the amendments address:

- measures to prevent waste generation, inter alia, obliging Member States to facilitate innovative production, business, and consumption models that reduce the presence of hazardous substances in materials and products, encourage the increase of the lifespan of products, and promote re-use;
- the handling of municipal wastes;
- incentives for the application of the waste hierarchy, such as landfill and incineration charges or pay-as-you-throw schemes;
- measures to encourage the development, production, marketing and use of products suitable for multiple use that contain recycled materials, and that are, after having become waste, suitable for re-use and recycling;
- measures to promote the re-use of products constituting the main sources of critical raw materials to prevent those materials from becoming waste;
- minimum operating requirements for extended producer responsibility schemes;

- the promotion of sustainability in production and consumption in Member States, including communication and educational initiatives as well as measures to promote prevention and reduction of food waste; and
- Member States' obligation to set up separate collection for paper, metal, plastic, and glass waste.

Amendments to the Packaging Waste Directive

Directive (EU) 2018/852 aims to increase packaging waste recycling. In particular, Member States will:

- implement measures in order to prevent the generation of packaging waste and to minimise the environmental impact of packaging. Economic instruments and other measures should be used to provide incentives for implementing the waste hierarchy;
- take measures to encourage an increase in the share of reusable packaging placed on the market and of systems to reuse packaging in an environmentally sound manner, including the use of deposit-return schemes, the setting of qualitative or quantitative targets, the use of economic incentives and the setting-up of a minimum percentage of reusable packaging placed on the market every year for each packaging stream;
- meet defined targets and deadlines. By the end of 2025 (and 2030), at least 65% (2030: 70%) by weight of all packaging waste must be recycled, and the following minimum targets for specific materials contained in packaging waste must be met: 50% (55%) of plastic, 25% (30%) of wood, 70% (80%) of ferrous materials, 50% (60%) of aluminium, 70% (75%) of glass, and 75% (85%) of paper and cardboard, although some Member States may postpone these target deadlines by up to five years under certain conditions; and
- ensure that, by the end of 2024, extended producer responsibility schemes are established for all packaging;

In addition, the directive sets long-term policy objectives since many Member States have not yet completely developed the necessary waste management infrastructure. The directive intends to give economic operators and Member States a clear direction for the investments needed to achieve those objectives. In developing their national waste management plans and planning investments in waste management infrastructure, Member States should investment carefully, including through EU Funds.

Amendments to the directives on end-of-life vehicles, on batteries and accumulators and waste batteries and accumulators, and on waste electrical and electronic equipment

Directive (EU) 2018/849 primarily establishes monitoring and reporting requirements for Member States regarding the reuse and recovery goals for end-of-life vehicles and collection targets for waste batteries, accumulators and electrical and electronic equipment. Member States will take the necessary measures to apply the waste hierarchy to all wastes that the respective directives cover. In the context of the EU commitment to a transition towards a circular economy, a review process will consider the feasibility of setting targets for specific materials contained in the relevant waste streams.

Implementation

The Circular Economy Package directives entered into force on 4 July 2018. Unlike regulations, they do not have any immediate effect in the national legal systems; the Member States must implement the directives in their legal systems within a two-year period. The Member States have a considerable margin of appreciation on how to fulfil their obligations under the Circular Economy Package directives. All relevant stakeholders should ensure they engage in the implementation processes at national levels in order to help shape national solutions.

Implementing the Circular Economy Package will provide investment opportunities throughout the EU, including, for example, waste management and waste recovery services, reusable products, and solutions relating to extended producer responsibility schemes. Latham will continue to monitor and provide updates on the progress of the Circular Economy Package.

The Italian Environmental Code

The Italian legal framework governing the Group's operations is mainly set forth under the Environmental Code, which governs, among other things, the management of waste in general and the granting of the permits for the opening and management of treatment plants and landfills in particular.

Environmental Code approach to waste

Consistent with the approach of the Waste Framework Directive (Directive No. 2008/98/EC and Directive No. 1999/31/EC), among the actions that are required to be performed the Environmental Code gives priority to prevention of waste.

Each of the steps making up the Waste Framework Directive has a specific technical meaning: this ranges from actions that make it possible to reuse the product that has become waste without any processing, such as "preparation for reuse" ("operations associated with inspection, cleaning, disassembly and repair through which products and components of products that have become waste are prepared so that they can be reused without any other pre-treatment"; such as washing of glass bottles: Article 183(q), Environmental Code), and "reuse" ("any operation through which products or components that are not waste are reused for the same purpose for which they have been designed"; such as the use of glass bottles: Article 183(r), Environmental Code), to operations that entail processing such as "recycling" (in this case, the waste is treated to obtain products, materials and substances to be used for the original function: Article 183(u), Environmental Code) and "recovery" ("any operation where the principal outcome is to enable waste to perform a useful role, replacing other materials that would otherwise be used to perform a particular function or to prepare them to perform that function, within the plant or the economy in general"; such as use as fuel or as other means of producing energy, composting, recovery of metals and regeneration of oils; Article 183(t), Environmental Code).

However, as mentioned above, a new package of Directives (No. 2018/849, 2018/850, 2018/851 and 2018/852) regarding the waste management and disposal came into force on 4 July 2018 and Italy, in common with all EU Member States, must implement them by 5 July 2020.

Definition and types of waste

In line with the definition provided under the Waste Framework Directive, "waste" is defined as "any substance or object that the owner discards or has the intention or the obligation to discard" (Article 183, paragraph 1(a) of the Environmental Code).

Waste is divided, according to its origin, into urban waste and special waste and, according to its characteristics, into hazardous and non-hazardous waste.

The classification of waste is especially important as the rules applicable to waste management vary depending on the type of waste.

Principles of waste management

The Environmental Code requires the producers or holders of waste to carry out the treatment of waste themselves or to have the treatment handled by an authorized dealer or arranged by a public collector under a special convention. The original producer or holder retains responsibility when the waste is transferred for complete recovery even if the waste is transferred from it to another entity for

preliminary treatment. Responsibility ends upon receipt by the waste producer or holder of confirmation that the waste is accepted by the final recovery or disposal plant.

As from March 2014, a Waste Tracking Control System (*Sistema di Controllo della Tracciabilità dei Rifiuti*, or "**SISTRI**") started to be implemented, replacing (for certain categories of waste producers, for the holders and for treatment plants) the former system based on entries in the waste log and on annual consolidated environmental reports to be filed with the chamber of commerce. Such system provided for data on waste produced, handled or received for treatment to be entered into a nation-wide database, run by the Ministry of the Environment. However, Law Decree No. 135/2018 has repealed SISTRI starting from January 2019. In this picture, it is, in any case worth mentioning that, although SISTRI has been abolished, the relevant administrative sanctions provided for the violation of the obligations connected to the SISTRI are still applicable. In fact, administrative violations are time-barred in five years.

Permits

Article 208 of the Environmental Code provides that the realization and operations of new waste disposal or recovery installations as well as their substantial modifications are subject to a permit issued by the competent Region, after verification of the environmental and territorial compatibility of the project. The authorization is issued or denied (with motivation) within 150 days of the application. The permit has a ten-year duration and may be renewed upon filing of the relevant application at least 180 days prior to the expiration.

Less stringent requirements apply, among other things, to mobile recovery or disposal installations, to the collection and transportation of waste as well as to the operation of disposal and recovery installations owned by third parties, which are either issued a definitive permit or are allowed to be carried out after registration with the National Register for Environmental Operators (*Albo Nazionale dei Gestori Ambientali)*.

On the other hand, installation which are subject to an IPPC permit pursuant to Article 6, paragraph 13, and Articles 29-*bis* and following of the Environmental Code (i.e., landfills that receive more than one tonne of waste per day or with a total capacity exceeding 2500 tonnes, with an exception for landfill for inert waste) need not be issued a permit under Article 208 of the Environmental Code., as the IPPC permit supersedes all the relevant authorizations. The IPPC is issued in the framework of a procedure that requires, inter alia, the participation and consultation of the public, the application of Best Available Techniques ("BAT") to the installations emissions (including substances, vibrations, heat and noise) and specific monitoring requirements for the latter. The IPPC is generally issued for a ten-year period.

Management of urban waste

Article 200 of the Environmental Code provides for the organization of the urban waste management system at a local level based on identification, by the Italian Regions and within each of them, of "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "**ATOs**" and each an "**ATO**"), within which the waste services are to be managed.

The Environmental Code

The waste sector is regulated by Article 200 of the Environmental Code which initially provided for the following principles:

- encouraging of segregated waste collection;
- each region has been divided into one or more "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "**ATOs**" and each an "**ATO**"), and a Waste District Authority ("***Autorità***

d'Ambito") has been established for each area, which is responsible for organising, awarding and supervising integrated waste management services;

- the District Authority must draft a Waste District Plan, in accordance with the criteria set out by the relevant regional government;
- the municipalities' responsibilities relating to integrated waste management have been transferred to the District Authority;
- phasing-out of landfills as a disposal system for waste materials; and
- the order of priority of the waste management procedures is the following: (i) preparation for reuse; (ii) recycling; (iii) recovery, including energy production; and (iv) disposal.

The system (which includes the collection, transportation, treatment and disposal of waste, including street cleaning and the control of the former activities), was managed by the Autorità d'Ambito and entrusted to the entity that is awarded the tender called for by the competent ATO. That provision has been repealed from the Environmental Code by art. 186 bis of Law No. 191/2009. Their competences have been transferred to the Regions pursuant to Law Decree No. 138 of 18 August 2011.

Pursuant to Article 238 of the Environmental Code, whoever holds, at any title, premises where urban waste is generated, must pay a forfeit fee as a consideration for the service, in the amount determined by the competent Municipality on the basis on the average quantity of waste produced by each square meter of surfaces of the same type and use.

Integrated Waste Management means the total activities carried out to optimise the management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations.

In this respect, Emilia Romagna Region established a single district for the whole regional territory and assigned the role of District Authority to ATERSIR, by means of Law No. 23 of 23 December 2011. All the municipalities and provinces in the Region are members. ATERSIR became operational in 2012 and it is empowered with administrative, auditing and technical autonomy.

Provisions on landfills

In relation to the disposal of waste in landfills, the Environment Code refers to the provisions set out in Legislative Decree No. 36 of January 13, 2003, which were adopted to implement Directive 1999/31/CE (Decree 36/2003), which sets out the operating and technical requisites for waste and landfills, measurements, procedures and guidelines aimed at preventing or reducing possible negative effects on the environment. Decree No. 36 classifies landfills into the following categories: (i) landfills for inert materials; (ii) landfills for non-hazardous waste; and (iii) landfills for hazardous waste. Urban waste and non-hazardous waste of any other origin that meet the waste admission criteria set forth in the applicable regulations, may be disposed of in landfills for non-hazardous waste. As for landfills for hazardous waste, only hazardous waste meeting the criteria imposed by applicable regulations may be disposed of in the same.

In general, waste may be disposed of in landfills only after having been processed in treatment facilities, with the exception of inert waste whose treatment is not technically possible and waste with respect to which treatment does not contribute toward reducing its quantity or risk to human health and the environment, and is deemed to be disposable if necessary for purposes of compliance with the limits imposed under applicable provisions of law.

Decree No. 36 requires all entities managing landfills to comply with the terms, procedures, criteria and requirements imposed by the authorization and by the operating management's plans, post-closure management plans and plans for environmental restoration and decontamination. They also

must comply with regulations on waste management, wastewater and the protection of water, atmospheric emissions, noise emissions, health and safety in the workplace, and fire prevention. The managing entity must also ensure that ordinary and extraordinary maintenance is carried out in all the facilities and equipment pertaining to the landfill.

Pursuant to Article 12 of Decree No. 36, closure of a landfill may be ordered following a procedure brought:

- under the terms and conditions of the authorization;
- where the service provider requests and obtains an authorization from the regional authority; and
- pursuant to a specific order by the competent authority based upon just cause consisting of damages or potential damages to the environment and human health. The landfill closure procedure may be implemented only following morphological verifications of the landfill.

A landfill, or a part of it, is considered to be definitively closed only upon the notification of approval (after carrying out an inspection) by the competent authority.

Following the final closure of a landfill, the landfill manager must maintain, supervise and control of the landfill during the post-closure phase, which covers the entire period in which the landfill could cause risks to the environment.

Maintenance, supervision and control of the landfill must continue during the post-closure phase, until such time as the competent authorities determines that the landfill no longer generates risks for the environment.

In order to ensure the activation and operating management of the landfill, including the closure procedures, the landfill operator must provide an appropriate financial guarantee which ensures the fulfilment of the requirements set forth in the authorization. The guarantee must be in an amount sufficient to cover the authorized capacity of the landfill and its classification. The guarantee for post-closure management operations provides an assurance that the post-closure procedures will be carried out, and is in an amount sufficient to cover the cost of such operations.

This guarantee must be kept in place for the entire period necessary for the operating activities and post-closure activities, and subject to extensions ordered by the competent authority if deemed necessary due to possible environmental risks.

In particular: (i) the guarantee for the activation and operating management is to be maintained for at least two years from the date on which the landfill closure is notified; (ii) the guarantee for post-closure activities is to be maintained for at least 30 years from the date on which the landfill closure is notified.

The management of landfills, or of other waste disposal equipment, is related to the matter of environmental pollution and the clean-up and restoration of contaminated sites. These matters are governed by Articles 239 and following of the Environment Code, which imposes upon the party responsible for the contamination the obligation to take restoration or safety measures, which may be for operating purposes or permanently, and, where necessary, to adopt further environmental restoration measures in order to eliminate, minimize, or reduce to acceptable levels the risks deriving from the contamination of the site.

Integrated waste operator

The Environmental Code regulated the award of tenders for operating the integrated waste management service made in favour of a sole operator for each ATO to be organised by the District Authority.

Such entity is responsible, *inter alia*, to award the management of the waste services in compliance with the European principles on public tender procedures, following the repeal of Article 23-bis of Decree No. 112/2008 by means of the Referendum held on 12 and 13 June 2011 and in compliance with the legislation subsequently adopted.

The Group provides waste services based on agreements entered into with the district authority. The table below indicates the information regarding the current agreements in the territory in which the Group operates (mainly Emilia Romagna, Piedmont and Liguria Regions).

ATO	Regime	Date of agreement	Expiry date
Reggio Emilia	Operator Agreement	10 June 2004	31 December 2011(*)
Parma	Operator Agreement	27 December 2004	31 December 2014
Piacenza	Operator Agreement	18 May 2004	31 December 2011(*)
Torino	Operator Agreement	21 December 2012	30 April 2033(**)
La Spezia	In house providing	10 June 2005	31 December 2028 (waste collection) and 31 December 2043 (waste disposal)
Vercelli	Operator Agreement	31 December 1998	31.12.2028
Vercelli- COVEVAR	Operator Agreement	01 February 2011	31 January 2019*

(*) Service extended until new agreements are defined. These concessions are currently operating until a new operator is identified.

(**) The term is 20 years from the end of the provisional tariff system of TRM WTE plant.

Waste tariff mechanism

Article 14 of Law Decree 201/2011, converted into Law No. 214 of 22 December 2011 established a tax (so called TARES or waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services and the costs relating to the municipalities' indivisible services (such as public lighting, local police, etc). Consequently, as of 1 January 2013, all withdrawals relating to the management of urban waste previously applicable (so called TIA1, TIA2 and TARSU) were eliminated. The tax is due from anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production. Consequently, the tax must be proportionate to the average quantities and qualities of waste produced in a surface unit.

Pursuant to Presidential Decree No. 158 of 27 April 1999, TARES consists of:

- a portion calculated in relation to the essential components of the service costs, which mainly involve investments for works and related depreciation; and
- a portion dependent on the quantity of waste handled, the service provided and the extent of operating expense, so as to ensure total coverage of the investment and operating costs[14].

In addition, the tax is increased by €0.30 for each square metre in order to cover the costs incurred by municipalities for the indivisible services[15].

[14] Article 10 of Law Decree No. 35/2013 sets out specific regulations of the amount, method and deadlines for payment of TARES for the year 2013 only.

[15] Municipalities may also increase the tax by up to Euro 0.40 for each square metre, depending on the type of property and the area where it is located.

Besides, the Municipalities which have realised system to measure the quantity of waste conferred to the waste management service may provide for the application of a tariff instead of the above mentioned tax. The tax must be paid to the Municipality.

However, the Municipalities may assign, up until 31 December 2013, the management of the tax (or of the tariff, if applicable) to entities that, as at 31 December 2012, perform, including separately, the waste management service and assessment and collection of TARSU, TIA 1 or TIA 2.

On 1 January 2014, Law No. 147 of 27 December 2013 (the so-called ***Legge di Stabilità*** or Stability Law) further abrogated the above said article 14 of Law Decree 201/2011 and modified the above mentioned model, introducing a new comprehensive tax known as *Imposta Unica Comunale* ("**UIC**"), consisting of three components:

- a portion calculated in relation to the local government tax known as *Imposta Municipale Unica* (IMU), depending on the asset of each municipality;
- a portion depending on the indivisible services ("**TASI**");
- a portion depending on the new tax on waste disposal services ("**TARI**"), repealing the above-mentioned TARES.

TARI is imposed on anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production, and is assessed according to the property's surface area.

The 2018 budget Law and the ARERA

In this regard, ARERA, by resolutions of 5 April 2018 225/2018/R/RIF and 5 April 2018, 226/2018/R/Rif started a proceeding for the adoption of the tariff regulation measures on the waste cycle, also for differentiated waste, urban waste and similar (tariff method, criteria for defining access rates to treatment plants, methods for approving tariffs defined by the *Autorità d'Ambito*, or by the competent authority in charge of this, for the integrated service and by the managers of the treatment plants).

Pending the adoption of new tariff rules, the ARERA stated on 10 May 2018 that the regime in force before the 2018 budget law continues to apply.

In addition, the ARERA published a consultation document (*ex* DCO 713/2018), concerning: (i) the criteria for the determination of the tariffs for the integrated waste service; (ii) technical-economic data collection (unsorted waste plants resolution No. 714/2018); and (iii) monitoring tariffs (Resolution No. 715/2018).

TAXATION

The statements herein regarding Italian taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes.

This is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a Noteholder if such Noteholder is subject to special circumstances or if such Noteholder is subject to special treatment under applicable law.

This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Base Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of 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. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, 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 the 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.

Tax Treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to, *inter alia*, the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) ("**Interest"**) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Italian Presidential Decree No. 917 of 22 December 1986 ("**Decree 917**") issued, *inter alia*, by Italian resident companies with shares listed on a EU regulated market or a regulated market of the European Economic Area.

For this purpose, pursuant to Article 44 of Decree 917, bonds or debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of the Issuer.

Pursuant to Article 11, paragraph 2 of Decree 239, where the Issuer issues a new tranche of Notes forming part of a single series with a previous tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (please see specific reference below), the issue price of the new tranche will be deemed to be the same as the issue price of the original tranche. This rule applies where (a) the new tranche is issued within 12 months from the issue date of the previous tranche and (b) the difference between the issue price of the new tranche and that original tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of duration of the Notes.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime provided for by Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**")); (b) a non-commercial partnership; (c) a public or private entity (other than a company) or a trust not carrying out a commercial activity; or (d) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. 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.

An Italian resident individual Noteholder not engaged in an entrepreneurial activity who has opted for the so-called *risparmio gestito* regime is subject to a 26 per cent. annual substitute 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 substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary. For more information, see also "Tax treatment of the Notes – Capital Gains".

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**") as well as the requirements set forth in Article 1 (211 – 215) of Law No. 145 of 30 December 2018 (the "**Finance Act 2019**"), if the long-term saving account is set up with effect from 1 January 2019.

Where an Italian resident Noteholder is an individual entrepreneur holding Notes in connection with the entrepreneurial activity (please see specific reference below), a company or similar commercial entity, a commercial partnership, 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 income tax return and are therefore subject to the general Italian corporate tax regime (corporate income tax, "**IRES**", generally levied at the rate of 24% while banks and other financial institutions will be subject to an additional corporation tax levied at the rate of 3.5%), or to personal income taxation (as business income), as the case may be, according to the ordinary rates and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on the value of production ("**IRAP**"), generally applying at the rate of 3.9 per cent. (which may be increased by each Italian Region by up to 0.92 per cent.; IRAP rate is increased to 4.65 per cent. and 5.90 per cent. for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree No. 446 of 15 December 1997).

In case the Notes are held by an individual engaged in an entrepreneurial activity and are effectively connected with the same entrepreneurial activity, Interest will be subject to *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), as clarified by the Italian Revenues Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of Interest in respect of the Notes made to Italian resident real

estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Financial Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, or to real estate closed-ended investment companies (*società di investimento a capitale fisso*, or ("**SICAFs**") (to which the provision of Article 9 of Legislative Decree No. 44 of 4 March 2014 ("**Decree 44**") apply), are neither subject to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or of SICAF. If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) or a non-real estate SICAF established in Italy and either (i) the fund or SICAV or non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority ("**Fund**"), and the relevant Notes are held by an authorised intermediary, according to Circular No. 11/E of 28 March 2012, 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 substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

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 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 result of the relevant portfolio accrued at the end of the tax period, to be subject to an *ad hoc* 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1 (211-215) of Finance Act 2019.

Pursuant to Decree 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 Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or a transfer of Notes to another deposit or account, held by the same or another Intermediary.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying Interest to a Noteholder. If interest and other proceeds on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (a) to (d) will be required to include interest and other proceeds in their yearly income tax return and subject them to a final substitute tax at a rate of 26%. The Italian individual investor may elect instead to pay ordinary personal income tax ("**IRPEF**") at the applicable progressive rates in respect of the payments; if so, the investor should generally benefit from a tax credit for withholding taxes applied outside of Italy, if any.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank

or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest, accrued during the holding period when the Noteholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy and/or do not timely comply with the requirements set forth in Decree 239 and the relevant application rules (please see below) in order to benefit from the exemption of the *imposta sostitutiva.*

The countries which allow for a satisfactory exchange of information for the purposes of Decree 239 are currently listed in the Ministerial Decree dated 4 September 1996 (the "**White List Decree**"), as amended or supplemented from time to time. Pursuant to Article 11, para. 4, let. c) of Decree 239, the Ministry of Finance should update the White List Decree on a semi-annual basis. The White List Decree was recently updated by Ministerial Decree dated 23 March 2017, broadening the list of countries and territories that allow an adequate exchange of information with the Italian Tax Authorities.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (a) promptly deposit, directly or indirectly, the Notes with (i) a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank; (ii) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; (iii) a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralised managing company of financial instruments, authorised in accordance with Article 80 of the Consolidated Financial Act; (b) promptly 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 case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended; and (c) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive. Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest, payments to a non-resident Noteholder. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

The "*imposta sostitutiva*" will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest paid to Noteholders who are (i) resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or (ii) otherwise not eligible for the exemption from "*imposta sostitutiva*".

Capital Gains Tax

Italian resident Noteholders

Any gain obtained from the sale or redemption of the Notes would be treated as part of the IRES 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), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Under some conditions and limitations, Noteholders may set off losses with gains of the same nature.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, in the 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 of the same nature realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being promptly made in writing by the relevant Noteholder.

The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, 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. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains 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 di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 as well as the requirements set forth in Article 1 (211 – 215) of the Finance Act 2019, if the long-term saving account is set up with effect from 1 January 2019.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder which is an Italian real estate investment fund to which the provisions of Decree 351 as subsequently amended apply or a real estate SICAF (to which the provision of Article 9 of Decree No. 44 apply) will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or real estate SICAFs.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed at the Fund level, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1 (211-215) of Finance Act 2019.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the so-called *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

The countries which allow for a satisfactory exchange of information for the purposes of Decree 239 are currently listed in the White List Decree, as amended or supplemented from time to time.

Pursuant to Article 11, para. 4, let. c) of Decree 239, the Ministry of Finance should update the White List Decree on a semi-annual basis. The White List Decree was recently updated by Ministerial Decree dated 23 March 2017, broadening the list of countries and territories that allow an adequate exchange of information with the Italian Tax Authorities.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale 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. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990 ("**Decree 167**"), as amended by Law of 6 August 2013, No. 97 (*Legge Europea* 2013), individuals, non-commercial institutions and non-commercial partnerships resident in Italy, under certain conditions, will be required to report in their yearly income tax return, for tax monitoring purposes, the amount of investments (including the Notes) directly or indirectly held abroad during each tax year. Inbound and outbound transfers and other transfers occurring abroad in relation to investments should not be reported in the income tax return.

This obligation does not exist in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

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, notes or other securities) as a result of death or donation are taxed as follows:

(i) 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 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; transfers in favour of relatives (*parenti*) to the fourth degree or direct relatives-in-law (*affini in linea retta*), indirect relatives-in-law (*affini in linea collaterale*) within the third degree other than the relatives indicated above are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. 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 to the rate mentioned above on the value exceeding €1,500,000.

A tax credit may be available for the inheritance and gift tax paid in Italy under the applicable double tax treaty on inheritance and gift, if any.

Transfer Tax

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax at a rate of €200, only in case of voluntary registration or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), converted by Law No. 214 of 22 December 2011, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary, carrying out its business activity within the Italian territory, to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent and is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than €34.20 and it cannot exceed €14,000 if the Noteholder is not an individual.

Wealth tax on Notes deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value 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).

Proposed European Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in 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.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to the Dealers. The arrangements under which the Issuer may agree from time to time to sell Notes and the relevant Dealer(s) may agree to purchase are set out in an amended and restated dealer agreement dated 17 July 2019 (the "**Dealer Agreement**") and made between the Issuer and the Dealers.

Any agreement for the sale and purchase of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto 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.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus, as completed by the Final Terms in relation thereto, to any retail investor in the European Economic Area.

For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(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 on insurance mediation, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(a) *No deposit-taking*: in relation to any Notes having 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:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) 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 by the Issuer of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**");

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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) *General compliance*: 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.

The Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that no Notes may be offered, sold or delivered nor may copies of this Base Prospectus, any Final Terms or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*) as defined under Article 100 of Italian Legislative Decree No. 58 of 24 February 1998 (otherwise known as the *Testo Unico della Finanza* or the "**TUF**"), as implemented by Article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**") and by Article 35, paragraph 1, letter d), of CONSOB Regulation No. 20307 of 15 February 2018, as amended (the "**Intermediaries' Regulation**"); or

(ii) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the TUF or Article 34-*ter* of the Issuers' Regulation.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus, any Final terms or any other document relating to the Notes in the Republic of Italy must be made in compliance with the selling restrictions under paragraphs (i) or (ii) above and must be:

(1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the TUF, the Intermediaries' Regulation and Legislative Decree No. 385 of 1 September 1993 (otherwise known as the *Testo Unico Bancario* or the "**TUB**") (in each case as amended from time to time);

(2) in compliance with Article 129 of the TUB and the implementing guidelines of the Bank of Italy issued on 25 August 2015 and amended on 10 August 2016, as further amended from time to time (the "**Bank of Italy Guidelines**"); and

(3) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other competent authority.

The Issuer has undertaken to comply with Article 129 of the TUB and the Bank of Italy Guidelines, with regard, *inter alia*, to the reporting obligations applicable to the Issuer.

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**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other 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 in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale 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 offers, purchases or sales and it will comply with all such laws and regulations. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and each Dealer to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any other offering material relating to the Notes, in all cases at their own expense.

Any new Dealer appointed under the terms of the Dealer Agreement will be required to represent, warrant and agree to the same effect as set out above in this section.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s), or change(s) in official interpretation, after the date hereof of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (if relevant only to a particular Tranche of Notes) or will be set out in a supplement to this document (if required by applicable law).

GENERAL INFORMATION

Authorisations

The 2019 annual update of the Programme has been authorised by a resolution of the Board of Directors of the Issuer dated 16 October 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue of the Notes.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 8156001EBD33FD474E60.

Listing and admission to trading

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of Euronext Dublin.

However, Notes may be issued pursuant to the Programme which will (i) be listed or admitted to trading on such other or further stock exchanges, markets and/or quotation systems as the Issuer and the relevant Dealer(s) may agree or (ii) not be listed or admitted to trading on any stock exchange, market or quotation system.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Directive.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Group.

Significant/Material Change

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer and, since 31 March 2019, there has been no significant change in the financial or trading position of the Group.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2018 and 2017 have been audited without qualification by PricewaterhouseCoopers S.p.A., which is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of auditing firms).

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield for Fixed Rate Notes

For any Tranche of Fixed Rate Notes, the applicable Final Terms will provide an indication of the yield. As set out in those Final Terms, the yield will be calculated at the Issue Date on the basis of the Issue Price but should not be regarded as an indication of future yield.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number 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 any additional or alternative clearing systems, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Documents on Display

For so long as the Programme remains in effect or any Notes are outstanding, physical or electronic copies of the following documents (together, where appropriate, with English translations) may be inspected during normal business hours at the offices of the Fiscal Agent at One Canada Square, London E14 5AL:

(a) the By-laws (*statuto*) of the Issuer;

(b) this Base Prospectus and any future prospectuses, offering circulars, information memoranda and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference;

(c) the Agency Agreement;

(d) the Deed of Covenant;

(e) the Programme Manual (which contains the forms of the Notes in global and definitive form).

(f) any Final Terms relating to Notes which are listed on any stock exchange, save that Final Terms relating to Notes which are 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 will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity; and

(g) the Issuer's audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2018 and 2017, and its unaudited consolidated interim financial information as at and for the three months ended 31 March 2019, in each case together with the accompanying notes and (where applicable) auditors reports.

In addition, the Issuer regularly publishes its annual and interim financial statements on its website at *www.gruppoiren.it.*

Interests of natural and legal persons involved in the issue of Notes

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, advisory, investment banking, corporate finance services and other related transactions with the Issuers and/or Issuer's affiliates and/or companies involved directly or indirectly in the sectors in which

the Issuer operates. 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 significant lending relationship with the Issuer and/or Issuer's affiliates, routinely hedge their credit exposure to the Issuer and/or Issuer's affiliates 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 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.

In relation to the issue and subscription of any Tranche of Notes, fees and/or commissions may be payable to the relevant Dealer(s). In addition, certain Dealers and/or their affiliates are lenders under financing facilities that may be repaid as part of the Issuer’s refinancing arrangements following the issue of the Notes. Certain Dealers or their affiliates may also act as counterparties in the hedging arrangements that the Issuer may enter into in connection with such refinancing arrangements and receive customary fees for their services in such capacities.

The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

For the purpose of the above paragraphs in this sub-section, the term “affiliates” also includes parent companies.

THE ISSUER

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